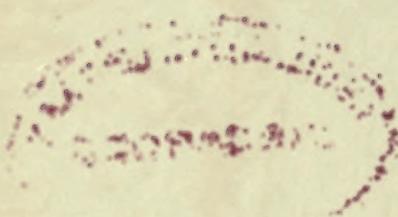
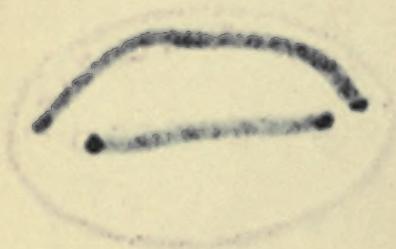


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INDUSTRIAL PEACE

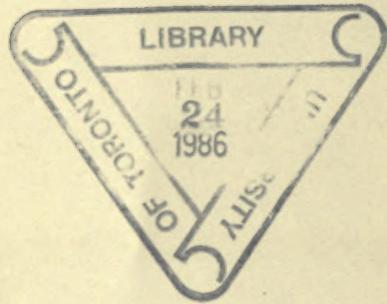


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CORRIGENDA.

- Page 26, line 1, for "four" read "fourteen"
- Page 26, line 2, for "161" read "151"
- Page 29, line 27, for "approved" read "opposed"
- Page 122, line 15, for "200 per cent" read "nearly 200 per cent"
- Page 127, line 35, for "Hodges" read "Hodge"
- Page 172, line 15, for "367" read "3·67"
- Page 191, line 24, for "Aberdeen" read "Aberdare"

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"Economics is the unseen thread on which the
history of mankind is strung."

INDUSTRIAL PEACE

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INDUSTRIAL PEACE

TRADE WITH EUROPE.

In the February issue of this journal there appeared an article on the financing of exports, in which the merits and limitations of various schemes of export credits and credit insurance were described. It was pointed out that the two great obstacles to trade with most of the countries of Europe at the present time are first, the lack of purchasing power (in the form of exportable goods) and, secondly, the variability of the rates of exchange. European currencies have depreciated in terms of the sovereign on account partly of inflation in the continental countries concerned, and partly of the indebtedness of the latter to ourselves and other countries outside Europe, such indebtedness representing claims which can be pressed at the will of the creditor. But depreciation and variability are not quite the same thing. If the values of European currencies, though depreciated, were fairly constant (or their changes could be foreseen and estimated), international trade would be comparatively simple and without great risk. But they constantly vary, and in a manner which cannot be foreseen and discounted in advance. Such variation is due partly to the continued resort to inflation as a means of providing Government funds which should be obtained from taxation, and partly to the continued export of promises to pay, in return for imports.

Europe needs the goods which we can and do produce, but she cannot buy them. Consequently our warehouses are full to overflowing. Manufacturers, being unable to sell their goods, are also unable to repay the banks the loans which were intended and expected to be of short duration, and were used to pay for the raw materials and labour employed in making such goods. Consequently the banks are unable to use such credits to finance current production. Can the problem be solved? We believe that much can be done by courageous action.

From the point of view of the necessitous States of Europe the problem is first to create purchasing power, and secondly to stabilise the exchanges. If the exchanges are to be stabilised the European States must be provided with both the power and the incentive to control their currencies. One

of the great weaknesses of existing proposals for export credits is that it leaves the individual traders completely at the mercy of the exchanges. Those who need a stable exchange most are not the ones responsible for its instability. A loan in sterling to the government of the necessitous State—granted under conditions set out below—would provide both the power and the incentive to stabilise the value of the latter's currency.

That it provides an incentive is clearly seen by reference to a case which is similar in its essentials. We owe America a large sum of money in dollars. When repaying the loan we shall need to borrow in sovereigns from our own people and convert the sovereigns into dollars. The greater the number of dollars to the sovereign (*i.e.*, the higher the value of the sovereign) the smaller will be the internal loan required to repay the American loan in dollars. But the value of the sovereign in terms of dollars will fall if the currency is inflated, and rise if it is deflated. Consequently, the existence of the dollar loan provides a strong incentive against inflating our currency. Similarly the granting of a sterling loan to a European State would provide that State with a strong incentive to maintain the value of its currency in terms of sovereigns.

The problem, from our point of view, is to release stocks, enable manufacturers to repay the banks, and the latter, in turn to finance new production. The frozen credit must be thawed. The present abnormal stocks must be regarded, for the time being, as equivalent to the factory itself, *i.e.*, as 'fixed' rather than commercial or circulating capital. They must represent an *investment* of capital. And such capital must be drawn from as wide a source as possible. A semi-public merchant trust should be formed for each appropriate exporting industry, and bonds issued to the public. With the capital obtained by the issue of bonds the Trust should purchase part of the existing surplus stocks of standardised exportable goods needed by Europe, and give orders for further supplies to the manufacturers. The latter would then be able to repay the banks, and re-borrow sufficient to meet the needs of current production, part of which would be guaranteed a sale on the usual terms of credit.

The Government would then approach the necessitous States of Europe and arrange to grant loans desired to enable the latter to purchase, as required, the stocks of the Trust.

The European States would sell the goods to their own nationals, and with the proceeds of the sale (which in essence would constitute our loan received in their own currencies) would be able to control, more effectively than at present, the issue of currency. In effect our Government would be paying the Trust, and, as normal conditions were gradually restored, and the need for the Trust diminished and ultimately disappeared, the money so accumulated would be employed in cancelling the bonds. It is probable that such money would be reinvested in Government bonds representing the loans to the European States. In some cases (e.g., textiles), the stocks now accumulated are not such as would meet the requirements of Europe, and the activities of the Trust would be largely confined to financing new production in response to European demand made possible by the Government loan. In other cases (e.g., tinplate and galvanised sheet) the accumulated stocks are precisely those which are required, and the usefulness of the Trust would be accordingly increased. But it is likely that in most cases organisation along these lines would be extremely valuable.

Three questions may be anticipated. First, who is to guarantee the Government and the investors in the Trust against loss? The Government loan to the necessitous State could be guaranteed in the same way as European State bonds will be guaranteed under the Ter Meulen scheme, that is, by the pledging of specific assets. The investors in the merchant trust might be guaranteed, to some extent, against eventual loss by the pledging of appropriate percentages of the profits of those manufacturers who benefited by the organisation. The Government might guarantee the payment of interest during the life of the trust.

The second question is—Where is the capital to be found? The reply is that what is industrially practicable is rarely, if ever, financially impossible. Manufacturers and merchants would be important bondholders, and might be required to take second debenture bonds, first debenture being offered to small investors. The work of the War Savings Department has shown what can be done, and how much capital actually exists among those who are not usually regarded as investors.

Finally, would the scheme not bolster up prices on a market which is now falling rapidly? This is undoubtedly the most difficult question. The reply is that the scheme would necessitate the creation of a costing department, and that the

prices paid to the manufacturers and those charged to the European States would be based, not upon the competitive principle, but upon actual costs. A collapse of prices which ruins a considerable proportion of manufacturers is not a desirable event; and if the scheme could secure a slow but steady fall in prices, whilst promoting output, it would be providing a valuable service.

Its value to Europe (if it were successful) cannot be denied. Indiscriminate loans to necessitous States are apt to be employed in a wasteful manner. The loans here proposed would only be granted in respect of approved imports from this country or approved countries; and the contracts which would be approved by the Board of Trade would only be contracts for goods which obviously promoted the economic recovery of the State. As time goes on it is becoming more evident that Central Europe will need to be assisted by means of loans. Already there is evidence that the United States will continue to export capital; the prosperity of a large number of industries is bound up with such a policy. It is equally important that we should resume the export of capital: the obvious market for such capital is Central Europe: the goods needed to supply that market are already in our warehouses. But in the present political situation the risk of investment must be taken by the Government. It is submitted that the scheme, given in barest outline above, would meet one of the most urgent needs of the present.

THE PROBLEM OF TRUSTS.

IN the unrest of to-day the fear of trusts is indubitably an ingredient. High prices and high profits have become the bugbear of a large part of the public. The vague alarm of an insidious danger is felt so intensely by some that they are disinclined to think or to enquire on this matter. Monopoly is their obsession. For lack of knowledge they exaggerate and suspect and imagine falsely. For the evil they fear they seek fanatical remedies. To balance duly the evil and the good in monopoly is out of their power: they know too little and feel too blindly to be able to judge.

The foundation of a policy regarding trusts and trade combinations must be laid in a knowledge of what trusts are doing. Since the Profiteering Act was rushed through Parliament in the autumn of 1919, it has been possible, through the machinery of the Central Profiteering Committee, to obtain this vital information. The work of the Standing Committee on Trusts has thrown a flood of light on the operations of some of the great amalgamations. Much of the work of the Standing Committee on Prices also has consisted in enquiries into "big business." The results of many of the investigations made for the Standing Committees by their various sub-committees have been published as command papers under the auspices of the Board of Trade. Other reports are likely to be produced before the Central Profiteering Committee is wound up on May 19th. The series of reports which, by that date, may number towards fifty, makes as a whole a unique trade document.

On May 19th, the date of expiry of the Profiteering Acts, the work of the Central Profiteering Committee will come to an end. The vast change in the trading position since the autumn of 1919 makes this expiry no great evil, so far as certain elements in the Committee's work are concerned. 1919 was a time of feverish expenditure. The competition of buyers in markets ill-supplied with commodities, along with certain other factors, hoisted prices unreasonably, and beyond doubt inflated the profits of many traders. Now money is scarce, goods are not wanted, prices are falling and will probably continue to fall. On the fall money is being lost plentifully by traders, just as it was made on the rise. It is apparently no longer necessary to take sharp emergency precautions against profiteering. What is needed now is the scaling-down

of all the costs of production, so that buyers may be brought into the market again and unemployment be reduced.

But the trusts and the big businesses that are on the way to being trusts are still with us. And they are growing. These are just the times in which trusts are born. Falling markets and financial stringency spell ruin to weak traders, and for strong traders open the door to monopoly. Many small men are being frozen out to-day. There are very cogent reasons why the Government should not scrap its machinery for dealing with trusts. That machinery—the Central Profiteering Committee's Standing Committee on Trusts, which was in great part recruited from the Reconstruction Committee on Trusts—has shown how effective the method of enquiry, with powers of redress against extortion in reserve, can be. Public opinion is on its guard, and a little excited, against trusts. But it does not follow that because a trade-combination is very large and powerful it is therefore exploiting the public in proportion to its strength. The very strength of a trust may be the prime condition for the emergence and dominance of other and better methods than mere greed. It has been the duty of the sub-committees to stand between the public and the trusts. Their method of enquiry, remonstrance, suggestion and advice may fairly be said to have answered well. By acquiring a knowledge of what a trust is doing and of its trade policy, and by keeping in touch with it as circumstances call for changes in its policy, a sub-committee is naturally able to influence that policy in the only matters which really concern the public—prices and freedom of trading.

The sub-committees parley with the trusts, within earshot of the public: a much simpler method than the crude remedies of nationalisation or stoppage or dissolution. For a few pence the public may possess themselves of the results of the sub-committees' work. Surely this method, so auspiciously begun, ought not to be allowed to end. Last autumn the Government spoke hopefully of bringing in legislation on monopolies at the beginning of the new session of Parliament. The King's speech, however, contained no mention of such a bill. Yet May 19th will see the end of the Central Profiteering Committee. The Government, which itself fixed that date, is under a moral obligation to avoid a break in continuity between the work of the Central Profiteering Committee and the inauguration of whatever permanent machinery it may have in view for dealing with monopolies.

TRADE BOARDS AND WAGES.

THE future of Trade Boards is a matter which closely concerns workers and employers in a large and growing number of industries. The first Trade Board Act, which was passed in 1909, was expressly designed to abolish sweating, and provided for the establishment of Boards for the regulation of wages in four industries in which the workers were regarded as seriously underpaid. Four years later an extending act was passed as the result of which certain other industries were brought under control. The minimum rates established (mainly for women workers) by the various Boards were not such as to appeal to those who were less practical than imaginative. The Boards were faced with serious practical difficulties, and were compelled to test, by patient experiment, the wage-bearing capacities of the industries concerned. Before the results of wage standardisation upon organisation had been finally achieved the war broke out, and there followed an abnormal demand for female labour which produced an appreciable increase in wages, and rendered Trade Boards rates inoperative as standard rates, and superfluous as minimum rates. Large numbers of women entered munition factories, and their rates were governed by two sets of Statutory Rules and Orders issued by the Ministry of Munitions. One set of Orders governed the rates of women employed on work previously performed by men; the other governed the rates of women employed on work previously performed by women, and which had become vastly important for the purposes of war. In order to retain an adequate supply of labour, employers in non-munition industries and trades were compelled to concede rates of pay comparable with those specified in the Munitions Orders.

During the war output was the prime concern: costs were a secondary consideration. The wage rates specified in the Statutory Rules and Orders were enormously higher than those set up by the Trade Boards before the war, and were regarded by some as highly inflated, though others, stressing the rise in the cost of living and the advances granted to male workers in highly organised industries, contended that they were by no means generous. We are not here concerned with the merits of the case; it is sufficient to point out that

the question of "commercial value" did not arise. The work of the women was indispensable and there was no danger of unemployment. But the Government clearly recognised the danger to which the unorganised workers would be exposed at the close of the war, when economic considerations would again become important, and felt the need of providing some sort of protection. The Trade Board Act was accordingly amended in 1918, and the Ministry of Labour was empowered to issue Orders extending the provisions of the act to those trades in which the workers, because they were unorganised or not effectively organised, appeared to need the protection it afforded. The result is that during the past year Trade Boards have been extended to a large number of metal, textile, clothing and distributive trades, and have established minimum rates (and in many cases standard rates for special classes of workers, skilled and semi-skilled) covering the vast majority of women and other workers in such industries.

For eighteen months after the Armistice was signed there was a boom in trade. Prices and profits remained high and the demand for labour exceeded the supply. The rates fixed by Trade Boards were mainly influenced by these considerations. The inflated war rates for women's work in munition factories slowly disappeared, but the minimum rates fixed by Trade Boards for the same type of work varied from eightpence to ninepence per hour. In the clothing trades, which experienced a post-war boom even more pronounced than that enjoyed in most other industries, higher rates were established. The conditions were highly artificial; and it may be presumed that the determination of rates in the majority of cases proved comparatively easy. During the last few months, however, industry has undergone a startling change. Demand has fallen, unemployment has increased, prices once easily commanded have become prohibitive, and wages are being tested on a competitive market. If the competition were entirely one between sellers in this country the position would not be so grave, but many industries governed by Trade Boards are suffering from competition from abroad, intensified in some instances by the abnormal rates of exchange.

The immediate consequence is a widespread demand for reductions in Trade Board rates. It is held that the industries can no longer bear the rates which were fixed under artificial conditions, which rates now merely intensify the depression and unemployment. We are not here concerned with the

merits of their contention, nor with the adequacy of the reply, namely, that (a) the minimum rates of the lowest paid workers should be the last to be adjusted, and should be regarded as inviolate so long as miners, engineers, etc., are so much better off, and (b) a reduction in wages would not ease the situation. What we desire to point out is that the Trade Board machinery is sadly defective, and needs to be amended. Before a rate, or variation of rate, proposed by a Board becomes effective it must be published for two months, afterwards confirmed by the Board, and finally issued in the form of an order by the Minister, who is allowed a month in which to consider the proposal. Thus a period of from ten to twelve weeks must elapse before the operative rate can be changed. Meanwhile the economic situation may be completely transformed. The cost of living may rise and trade may boom, with the result that the rate fixed is out of date before it is made obligatory; and is lower than good employers are willing to pay: or cost of living may fall, and trade may languish, with the result that the rate fixed is higher than the industry is able to bear, and intensifies unemployment among workers who would prefer work at lower rates of pay. This defect in the machinery was not serious and obvious under normal pre-war conditions, when long contracts were the rule, both for wages and products. But during the present abnormal period, when conditions are rapidly changing, it is highly desirable, in the interests of both parties, that adjustments should be made more easily and quickly and that wage contracts should be more elastic. The inelasticity of the conditions set up by the Boards have made the latter extremely unpopular among employers, some of whom appear to desire, and to be working for their abolition. It would be a thousand pities if they were successful. Far better, in their interests as well as the interests of the workers, that the powers of the Boards should be amended, and the method of establishing rates brought into line with that employed by the older voluntary Conciliation Boards in well-organised trades.

THE FACTS OF THE CASE IN DIAGRAM, XI.

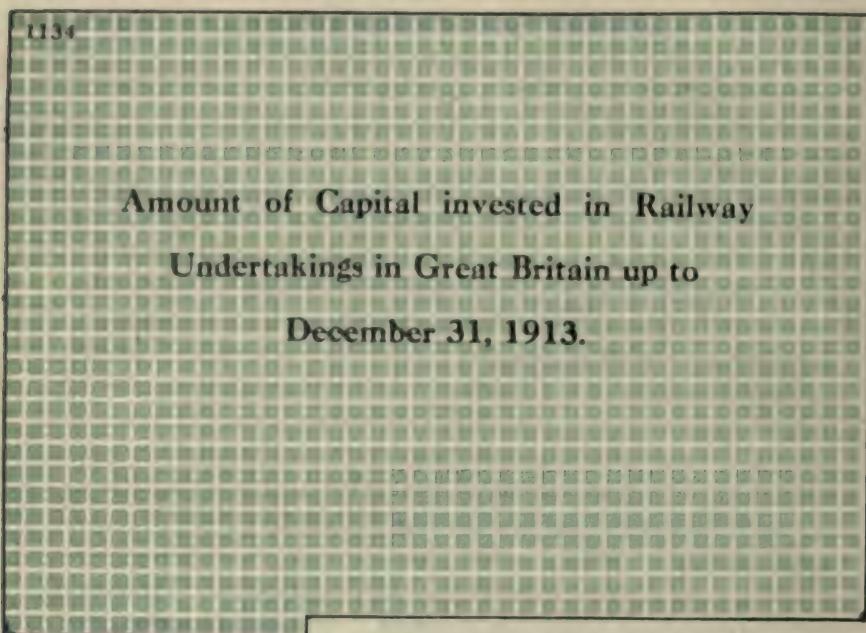
If, as seems probable, a partial revival of trade may be looked for in the immediate future, the ultimate prospect of recovering the leeway lost during the war is less reassuring. Not that the position is in any way hopeless, because there are immense potentialities which could be developed beyond all precedent if only we could compose our domestic quarrels and take full advantage of the opportunities that the arbitrament of war has placed at our disposal. The world of to-day is full of anomalies but the strangest of them is the utter indifference with which our people regard the amazing possibilities that might be grasped by a united and enterprising nation at the zenith of its prestige. In the vain hope of crippling the British navy and of succeeding to the reversion of the colonies and dependencies of the British Empire, Germany risked and lost all; but we, with the ball at our feet, cannot so much as recognise the good fortune that has fallen to our lot. We have lost men and we have got into debt, but relatively to our European neighbours our position is unique and unassailable.

What then is the cause of our bewilderment? What are the obstacles that block our progress? We believe that to a large extent the answer is to be found in the prosaic difficulties that centre round the problems of the high price of our coal and of the disorganisation of our transport system. Industry is the life-blood of every nation and when industry languishes there is no health in the body corporate.

In Diagram No. 15 (published in the November, 1920, number) we examined some aspects of the coal mining industry and showed in what respects the output and consumption of coal in 1919, had suffered an economic change for the worse since 1913. This month we exhibit a diagrammatic comparison between the railway budgets of 1913 and 1919, respectively. In the last complete year before the war over eleven thousand millions of pounds' worth of capital was advantageously invested in the railways of Great Britain. This store of wealth benefited the whole community, carrying passengers and goods at reasonable rates and assisting in the effective development of industry. The shareholders, who had found the money for the capital expenditure without which the railway system would not have existed, received an average dividend on their investments of just under four

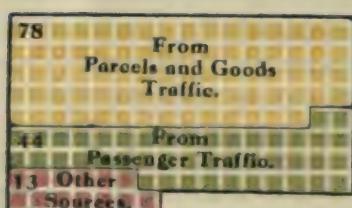
DIAGRAM No. 19.

(Note.—The figures in this diagram refer to the number of squares in each group.)

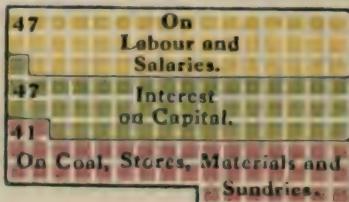


INCOME.

For the year 1913.



EXPENDITURE.

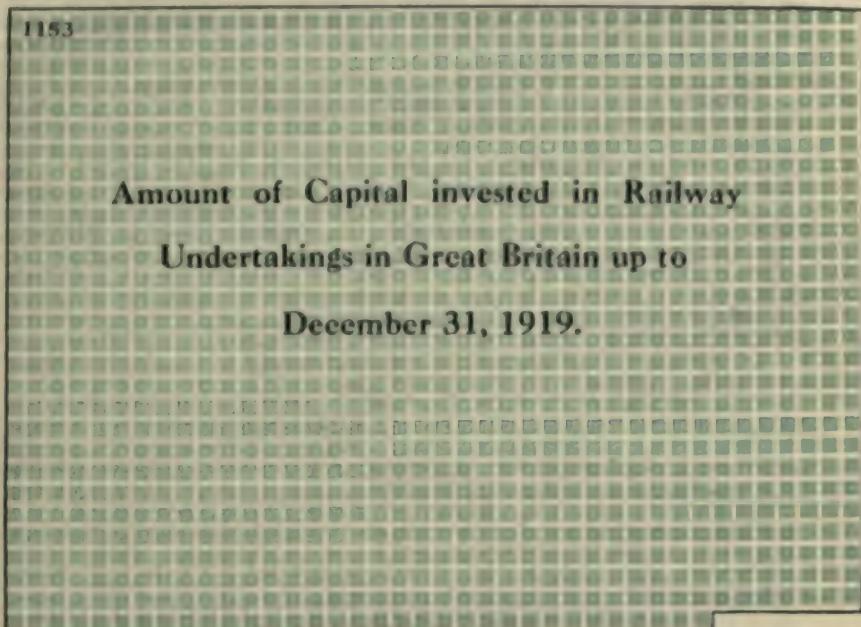


RAILWAY BUDGET (PRE-WAR).

Scale : each square of colour represents one million pounds sterling.

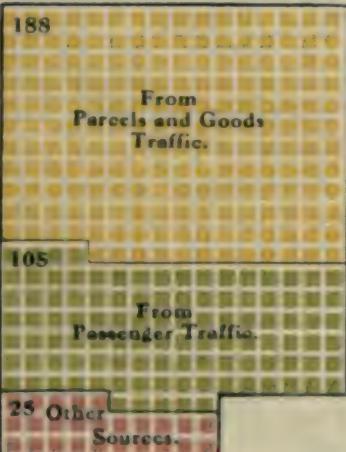
DIAGRAM No. 20.

(Note.—The figures in this diagram refer to the number of squares in each group.)

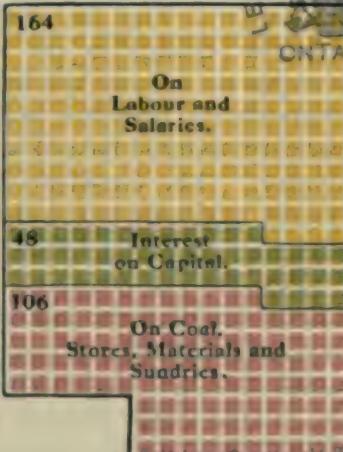
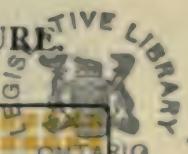


INCOME.

For normal year under present conditions.



EXPENDITURE.



RAILWAY BUDGET (POST-WAR).

Scale : each square of colour represents one million pounds sterling.

per cent. per annum (after payment of income tax) and this dividend was produced by the industry itself, without any contribution from the Exchequer. The security was, moreover, gilt-edged, subject to but small fluctuations, and no difficulty was experienced in obtaining fresh capital for development whenever it was required.

Diagram No. 19 is based mainly on figures extracted from the recently published Blue Book, Cmd. 1160, supplemented by statistics furnished by the Ministry of Transport. It exhibits the pre-war railway budget so far as capital, income and expenditure are concerned. It consists of 1134 squares representing capital (which does not include past expenditure on railway lines no longer in working order) and 270 squares representing income and expenditure for the year 1913.

Diagram No. 20 is cast in similar mould. Capital expenditure (having increased by approximately nineteen million pounds) now occupies 1153 squares instead of 1134. The remaining 636 squares represent £318,000,000 received in income and an equal amount absorbed as expenditure. It will be seen that whilst dividends paid to shareholders have remained practically stationary (nominal value), the joint cost of labour and salaries has increased by 250 per cent. and the cost of materials by some 150 per cent.

But these figures do not tell the whole of the story. Since 1913 a prodigious fall has occurred in the market value of railway securities and it is unlikely that much of the capital so lost will ever be recovered. Although there is little apparent change in the rate of interest paid by railway companies, income tax has gone up over 400 per cent. and shareholders therefore suffer the triple loss of depreciated security, reduced income and diminished purchasing power of money. The last-mentioned disadvantage applies also, of course, to labour, but in the case of the manual worker there is no net loss owing to the increase in their wages.

Since the 31st December, 1919, the situation has undergone further deterioration and what was once a profitable industry is now carried on at a loss. During January, 1920, there was a deficit of over three hundred thousand pounds and for the ten months ended January 31st the net liability claimed from the Government was £36,323,767.

SQUANDER AND PANDER.

It would not be easy and it certainly would not be wise to ignore the public anxiety about economy in administration. Newspaper politicians and private persons rage against Government "waste." Many of them seem to think that all and any expenditure by the Central Government must perforce be waste. The Government rebuts the foolish and indiscriminate charges of its critics. Yet the unavoidably high scale of its expenditure plays into the hands of the critics. With a budget of a thousand millions there can hardly help being some waste, just as there would be in a private business of the same magnitude. It would be very hard to say what average percentage of waste occurs in Government expenditure. But this one thing is certain that the bigger the expenditure the bigger will be the amount wasted. As the percentage of waste is probably constant, the only remedy for waste is to reduce the scale of public spending.

How is this scale to be reduced? The "Economists" answer very readily, "By the Government's not spending." No answer could be sillier. Very few of the critics seem to have asked themselves why Governments spend money at all. They assume that Governments spend through original sin and inherited vice. They acknowledge in Governments no wholesome fear of the public nor any inherent respect for economy. Yet in England, a land ruled by public opinion and vigilant and critical in matters of money, it is really the absurdest of paradoxes to attribute the Government's high expenditure to the Government's heedless extravagance.

Our Government has spent because *political events* and *political forces* have compelled it to spend. When the Germans precipitated the war, our Government had no option but to embark without reserve upon vast expenditure in defence of our freedom and our rights. War expenditure did not end with the Armistice. Some of it continues unavoidably. There is a huge debt, moreover, to be liquidated and a multitude of pensions to be paid.

The political events cannot be helped or reversed. It is not so with the political forces. The chief of these forces is a liking for Government grants, a belief in the legitimacy and the expediency of going to the Central Government for the money needed for all sorts of public and semi-public purposes. This liking has become second nature. The belief in "grants"

stands, in many minds, above all criticism or question. Very few of the seekers after grants reflects that the Westminster purse must be replenished somehow. They really hope in their hearts to draw from that purse more than they will be obliged to pay into it.

Herein lies the hollowness and the fraud of the present Economy Campaign. The Government is assailed by two loud cries at once : "Save, Save, Save," and "Give, Give, Give." All sorts and conditions of citizens and authorities cry out for Government grants. They cry out even louder against the Government's efforts to provide itself with the wherewithal to make those grants. Yet no Government can give, give, give, without taking, taking, taking. Only one way of taking is open to the Government: the way of taxation. It must not try to go on borrowing, for it has borrowed enough. The nation is very reluctant about taxation. It has not as yet realised clearly that until it ceases to make money demands on the Government, the Government must continue to make money demands on it. Until this truth is brought home the inflated Government expenditure will go on, amid an accompaniment of complaints and threats, and the usual charges of the usual waste. The nation will sidle round the vicious circle, now shouting for grants, and now against taxes.

The only real cure is to abandon the vicious circle. The very worst sort of circulation which can be imposed on money is to make all of it pass through the hands of the Central Government. Much of it is lost in the course of that détour, partly by the necessity of maintaining a bureaucracy to keep the circle going, and partly by the mistakes of the bureaucracy. Decentralisation in finance is a very urgent need. The various localities and the local authorities must make up their minds to shoulder their own burdens without waiting for help or bribes from Westminster. There is a great deal of expenditure from which localities draw all the benefit, but all of which is borne by the Central Government. This ought not to go on, for in principle it is wrong. There is a great deal more that is shared between the localities and Westminster. Of this some ought to be borne wholly by the localities, and some ought perhaps to be shared, but not in the present proportions. There will be no beginning of financial sincerity and soundness until both local authorities and individuals shake off the habit of applying to Government, and themselves face and bear their burdens and responsibilities in a spirit of independence.

THE BUSINESS MAN'S VIEW. V.

(These articles consist of a series of extracts from the reports of Company Meetings, grouped to give the reader an opportunity of studying the effects of the many conflicting currents that go to make or mar commercial enterprise. Though these reports, giving as they do only the managers' point of view, cannot be considered to cover the whole field, they may, nevertheless, provide a valuable commentary on a good many aspects of the question as to the ways and means by which the nation does, in fact, secure its livelihood.)

The Financial Situation.

ECONOMIC interest has for the moment shifted, and rightly so, from the question of production to that of distribution. We can make goods in plenty, our problem is how to exchange them in foreign markets where the machinery of credit has broken down. In his speech to the House of Commons on the question of unemployment, Mr. Lloyd George declared that the heart of the matter was the establishment of credits abroad, and he criticised the bankers of this country—"the only people who can really help, and if they do so, I believe it will be possible to get a start." The Premier charged the bankers with hindering the revival of trade by refusing to take a share in the abnormal risks attached to the provision of the necessary foreign credits, and complaints are also made by traders and manufacturers that the banks are restricting credit.

It is never very easy to see each others' difficulties and the complex and far-reaching operations of the banking world would justify the presumption that possibly even Cabinet Ministers are not fully competent to appreciate the motives that lie behind and direct the bankers' present policy. At any rate, it is both wise and fair to study the situation as the bankers see it and to read the views they express in explaining to their shareholders the policy of the banks they control.

Lord Inchcape, speaking as president at the Annual General Meeting of the National Provincial and Union Bank of England, Limited, met the reproach that banks are restricting credit by explaining that the restriction of credit, though it operated through the banks, was not the deliberate action of the bankers. He pointed out that 1,000 millions a year have now to be raised in taxes . . . "the mercantile community and the public generally are being called upon to hand over

to the Government enormous sums in cash in payment of income tax, super tax, excess profits, corporation tax and death duties. And to meet these payments they are obliged to draw on their bank balance, to realise both stocks of goods and securities on which the banks have given advances, and the banks naturally are obliged to reduce their advances proportionately. . . . It is the burden of taxation which is drying up the liquid resources of the country." And this is really only another way of saying that to make good the destruction of the past and to provide adequately for the needs of the present, is a costly process which leaves very little over for the necessary expansion of industry. "The excess profits duty alone," Lord Incheape added, "will have taken 1,100 millions out of industry which would otherwise have been invested in reproductive work and development."

But it is in the Right Hon. R. McKenna's able address to the shareholders of the London Joint City and Midland Bank Limited, that we find the most complete and lucid explanation of general financial conditions seen through the eyes of a banker. This address contains so much that is of interest to the general reader—so much, indeed, that it is essential all should know—that we propose to restate as briefly as possible the observations made by Mr. McKenna on general financial conditions, with special regard to the influence of financial policy on the industrial and commercial interests of the country.

Before the war the money market was controlled by the Bank of England, and the Bank rate was the instrument by means of which this control was exercised. If the Bank of England was asked to lend more than its own reserves would justify, the Bank rate was raised, and the demand for additional credit was countered by the rise in the rate of interest charged. Further, when our currency was based on a real gold standard, a rise in the Bank rate had the effect of attracting gold from abroad. This latter fact gave the system the necessary degree of elasticity. A demand for additional credit accompanied rising prices, and rising prices called for more currency to be put in circulation, which caused a reduction in the Bank of England reserve. The same circumstances which called for a restriction of credit also made it necessary to increase the Bank's stock of gold.

One important result achieved was that prices were kept at a fairly constant level. There were, indeed, slight fluctuations due to various causes, but a rise in prices caused by

undue expansion of credit was always checked before it had gone far enough to call for adjustments to the new price levels on such a scale as to render a subsequent fall in prices destructive to trade.

This banking system is, however, no longer operative. The twofold conditions of its effectiveness no longer obtain. The Bank of England is bound to lend when called upon by the Government, and if this right is habitually exercised, the Bank virtually loses control of its own lending powers and a rise in the Bank-rate will not necessarily check the expansion of credit. It may deter the individual borrower, but the responsibilities of Government borrowings are shared amongst many and are less easily defined. Further, there is no free market in gold. When our currency is at a discount in relation to its nominal gold value, raising the Bank-rate will not attract a single ounce of gold to this country.

At the present time the Government frequently borrows heavily from the Bank and there is no free market for gold. The essential conditions for the effective operation of the Bank-rate therefore no longer exist, and we are bound, consequently to examine afresh in the light of actual circumstances the policy which guides the financial authorities in making money rates high or low, and the methods adopted by them to achieve their object.

It is one of the first duties of the Bank to ascertain the meaning of the policy adopted by the Treasury, to examine the measures adopted for giving effect to it and to forecast the consequences which will ensue. Stated briefly, the Treasury policy declared early last year was to stop further inflation and then gradually to deflate. By the term inflation the Treasury apparently understood an increase of purchasing power relative to the amount of goods available for purchase, and by deflation, a decrease in purchasing power relative to the amount of goods available for purchase. It may be stated as a general proposition that the first step towards inflation is taken when a bank makes a loan or advance. But a distinction must be made between advances required to further trade or manufacture and advances which enable the borrowers to buy something in order to consume it. The former are not usually a cause of inflation. In that they lead to an increase in the amount of commodities available for purchase, the tendency to upward prices due to increased purchasing power is checked. Moreover, when the goods produced as a result of the loan are sold, the trader pays back

the loan advanced by the Bank, and the increased purchasing power is then withdrawn. When trade is active loans increase in amount, but so likewise does production, and in a healthy condition of affairs the volume of credit and the volume of goods expand together. That good trade does in fact very often lead to inflation is due in part to overtrading, which leaves traders with stocks on their hands and thus prevents the smooth working of the operations just described, or to the dealings of speculators who buy to hold until prices rise. Loans which are only for a speculative purpose increase the volume of purchasing power without adding anything to production and lead directly to inflation. If we look back over the history of the past century we shall find that every period of trade prosperity has culminated in overtrading and speculation which have been brought to a close by dear money and a severe restriction of credit. A high bank-rate and severe restriction of credit are the proper remedies for inflation of this type. They are the effective checks to speculation, but it must not be overlooked that *they are no less certainly a grave impediment to legitimate business.*

To-day we have to deal with inflation which has not been brought about by overtrading or speculation and which is not temporary in its nature. Dear money and severe restriction of credit, so far from restoring trade to a wholesome condition, can only aggravate our evils. The monetary inflation of to-day is more or less permanent. Normally the power to borrow for consumption is strictly limited by the willingness of the bank to lend. The inevitable, and so far as the willingness of the bankers was concerned, unlimited borrowing during the war by the Government, almost entirely for consumption, gave us a new problem. The total loans remaining outstanding in this country after the commodities had been consumed reached £5,800,000,000, and the result is a true condition of inflation—an immense increase of purchasing power relative to the amount of commodities available for purchase.

Monetary inflation is not a temporary condition. Prices in this case are forced up over a protracted period of time, wages and contracts of all kinds are adjusted to new price levels, and fresh capital is embarked in business on this basis. In circumstances such as these the first effect of an attempt to force down prices by monetary deflation must be to cause severe trade depression. A declared policy of monetary deflation is a public warning to the trader that he must be prepared to lose on every contract for the future delivery of

goods. A policy of gradual monetary deflation is impossible. The first effect of such an attempt will be to arrest business. Prices will fall and unemployment will grow, producing a further fall in prices. But the volume of purchasing power resulting from the immense war loans will not have diminished and it may be expected that this will be freely exercised again when it is believed that prices have touched bottom. Thus a heavy drop in prices can only be temporary. Indeed, a further period of inflation seems likely to follow, for the decreased revenue will not meet the permanent liabilities of the Government, and new taxation and new borrowings will become inevitable.

If permanent monetary deflation is to be accomplished it can only be by a reduction of the purchasing power brought into existence by the great war loans—a reduction which can only be effected by paying off part of the National Debt. Additional taxation will not help us in this; it will only ruin commerce and manufacture. There is a limit beyond which trade and industry cannot be burdened and that limit is passed when traders are forced to borrow from their banks in order to meet their liabilities to the tax-collector, and it is a fact that no inconsiderable part of the expansion of credit during the year 1920, was due to this cause. Only by economy in expenditure can we repay the National Debt and thus secure monetary deflation without permanent injury to our trade.

But economy in expenditure can be assisted by increasing the fund from which the economies must be made. If we increase the commodities available for purchase without any increase of purchasing power, we shall deflate, and prices will fall very gradually without producing any of the evils referred to. A lesser rate of profit will be made than if the prices were stable, but it will be on a larger quantity, and there can still be room for a fair return on capital and a fair reward for labour. Salvation lies in an immense addition to output. Our financial policy, then, should be one which will stimulate production.

It is essential that prices should be stabilised, and when inflation is due to temporary causes we must not only check it, but force deflation until the former price level is restored. Any premature attempt, however, at monetary deflation by methods which do not touch the causes that have produced the inflation must lead to disaster. Great unemployment will ensue and the nation will be faced with social evils of a different kind, though not less serious, than those resulting from inflation.

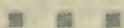
FOOD FOR THOUGHT.

The Responsibility of Women Workers for Dependents, by B. Seebohm Rowntree and Frank D. Stuart (Clarendon Press, Oxford), provides the student of social and economic conditions with some useful facts and figures at an opportune moment. The writers publish the results of an investigation made with the object of helping "those who have to decide whether, in fixing absolute minimum wages for women, it should be assumed that the normal condition is, or is not, for them to have dependents." According to their investigation not more than 12 per cent. of adult women workers have dependents, and these 12 per cent. are only responsible on the average for the maintenance of 0.71 of an adult. The authors point out that these figures differ very widely from those of the Fabian Women's Group—the only other authoritative inquiry into the question. The Fabians found 51.13 per cent. of working women to be responsible for an average of 1.75 dependents each.

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Both of the investigations were confined to quite a small fraction of the women workers of the country and it does not appear that either can be considered as a reliable index to actual facts. What is of more importance in our view is that in the course of their argument the writers force anew upon the reader's attention the impossibility of fixing wages with reference to dependents rather than to the value of the work done. However low the percentage may be, there must, under such a scheme, always be some element of injustice, of unmerited suffering and of loss to the State. To assume that all men have a wife and three dependents is to endow bachelors and to penalise the man with a large family; while to assume that all women are working for themselves only is to inflict a large measure of human suffering and waste on a considerable number of women, young children and invalids. In a State where industry is dependent upon the profits resulting from private enterprise, the only sound and fair principle would seem to be that work should be paid according to its value under given conditions. If then, it is not possible for any set of workers to earn more than sufficient for their own maintenance, either because of the low productivity of the industry, or on account of the lack of skill of the worker himself, the State should take steps to raise the level of the industry, or of the worker, as the case may be. The unfortunate minimum—

the disabled, the widowed, the deserted and the orphaned—should be specially provided for by the State. Industry, as such, cannot take account of accidents which arise independently of its action. In the industrial compact the individual must give and receive just measure according to the ability of each; it is the duty of the State to compensate and to maintain those who are unfairly handicapped.



By their message to the Premier, the Railway Locomotive and Firemen's Union will help the man in the street to assign to Direct Action its true place in the classification of theories of the government of peoples. In withdrawing their threat to strike as a protest against the Mallow shootings, the Secretary writes:—" . . . we feel, that as the public—although not agreeing with the strike policy—have expressed themselves as favourable to our demands for proper enquiry being held, and that the continuance of the strike arrangement may create an atmosphere unfavourable and prejudicial to such enquiry and the results of the same being given to the public, we therefore in the interests of the public who have so loyally supported our demand for the enquiry, and to facilitate the enquiry being made, hereby decide and instruct our members . . . not to strike."



Seventy-five thousand men—such is Mr. Bromley's own estimate of the membership of his Union—invested by reason of the particular service they supply, with a power disproportionate alike to their numbers and to the actual value of their service determine to inflict such injury as they can upon the forty odd millions of these islands in an attempt to force the Government to obey their will. The threat issued, a new situation develops. The public is discovered favourable to the demands, though not to the methods of the seventy-five thousand; the strike is seen to be an inexpedient weapon. Never has the Direct Actionist been more clearly caught with his hand upraised to force the unwilling nation to adopt his view. Direct Action is the rule of anarchy operating through small or large industrial units. The anarchist recognizes that the Government must and will carry out the general will of the community, he therefore uses Direct Action not to coerce the governing body, but to force the people, the State itself, into subjection to his will.

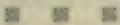
Comment on the political aspect of the result of the bye-election at Dudley is outside the scope of a journal which does not identify itself with the fortunes of any particular party. The national aspect, however, of a political campaign conducted admittedly on the basis of sectional interest calls for comment from everybody who values the parliamentary system. Dudley, in the heart of the black country, without a green field or a decent tree to break the monotony of industrial devastation, is suffering from the twin misfortunes of unemployment and high prices. The electorate has been encouraged to believe that if the embargo against Canadian store cattle is removed employment would be found for a hundred thousand people now out of work, and that the price of beef would be reduced by sixpence a pound. If the arguments preached so successfully at Dudley had been urged in a rural constituency the authors of such fairy tales would have been laughed out of court. The reasoned opinion of agriculturists is overwhelmingly in favour of retaining the embargo and Professor Robert Wallace, an acknowledged expert in all matters connected with the meat industry, declares that the admission of Canadian cattle "on the hoof" would lead to the permanent loss of tens of thousands of British cows belonging to crofters and small farmers which are breeding calves that grow into the finest beef in the world. He asserts also that the removal of the embargo would reduce the world's supply of beef and inevitably raise general prices.

If Dudley chooses to be represented in Parliament by a member of the Labour Party, nobody has any logical reason to object even when Lord Beaverbrook pulls the strings which determine the result of the election. The precedent, nevertheless, will be a disastrous one if it means that his Lordship can win seats for his nominees by the crude expedient of appealing to the sectional interests prevailing at any given moment in this or that constituency. If Lord Beaverbrook is convinced that it is in the national interest that the embargo on Canadian cattle should be removed he ought to urge his policy upon rural no less than upon urban electors. We shall, therefore, be interested to observe his tactical dispositions on the occasion of the next contested election in a rural constituency.



Amongst the declared objects of the recently formed "Institute of Industrial Administration" the most important, to our mind, is that of promoting "the dissemination and develop-

ment of the principles whereby equity and efficiency may obtain in the management and operation of industry and commerce and in the relations of employers, staff and workers." The art of management is no new thing—but in the past it has been considered too much as a personal attribute of born administrators rather than as a science which can be learnt by men of average capacity who will take the necessary trouble to study a highly technical subject on intelligent lines. So long as the art of management is a closed book to the rank and file, so long will people fail to recognise its importance and many will doubt whether there is anything worth paying for in an alleged accomplishment which continues to hide its light under the bushel of self-complacency. If the Institute of Industrial Administration achieves nothing beyond educating the public up to a realisation that industrial progress is mainly dependent upon the proper application of first class brain-power to sufficient horse-power under equitable conditions, it will have achieved a great deal. An interesting and valuable feature of the work which the Institute proposes to undertake is a series of instructional courses for directors, managers, secretaries, foremen and staff. Particulars of these courses may be obtained on application to the Institute (110 Victoria Street, S.W.). The first of the series will deal with Production, Estimating, in its application to rate-fixing, and the second to Production Costing



The first annual Report of a new organisation—The Women's Guild of Empire—has recently been published. The Guild had been formed to enable the vast number of British people in all parts of the world who served their country with a single mind during the war to continue this service in time of peace. The organisation seeks to bring prosperity and happiness to the homes of the people, not by preaching the class war, not by attempting to undermine the foundations of society, but by encouraging free individual enterprise under the best possible conditions that science, intelligence and mutual goodwill can devise. The Guild supports Trade Unionism, which it believes to be absolutely essential for the industrial defence of the workers, but in matters affecting the welfare of the whole nation it maintains that the only authority that should be recognised is that of the People acting through their representatives in the House of Commons. It is almost superfluous to add that *Industrial Peace* is in complete sympathy with the principles actuating the Guild.

DAY BY DAY.

A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry,.

Feb. **1st.** The cost of living at February 1st was four points lower than in the preceding month (161 per cent. above that for July 1914).

During the month 700,000 workpeople received a net increase of £54,000 in their weekly wages, and 1,450,000 sustained a net decrease amounting to about £168,000 per week.

93 trade disputes involved 23,000 people in unemployment and caused a loss of 408,000 working days.

Unemployment in the insured trades rose to 8.2 per cent.; the percentage in Trade Unions was 6.9; over half a million workers were on systematic part time.

2nd. The National Federation of Women Workers, with a membership of between 40,000 and 50,000 has amalgamated with the National Union of General Workers, which has a membership of over half a million. Miss Margaret Bondfield is secretary of the women's section.

A deadlock is threatened in the negotiations of wage agreements in railway workshops by the rivalry of the two principles of craft and industrial unionism. The N.U.R. seeks to include all railway servants under one group, the Amalgamated Engineering Union refuses to participate in, or ratify, any negotiations undertaken by the N.U.R. which include skilled mechanics.

The Federation of Building Trades Operatives rejected by ballot the Government's scheme for dilution in the industry.

4th. The unemployed on the "live" registers of the Exchanges totalled 1,108,000.

The Joint Labour Committee on the Cost of Living issued their second interim report. The report dealt with taxation and advocated a capital levy to produce £4,000,000,000 and the abolition of all taxes other than income tax, super tax and death duties.

7th. The Standing Committee on Trusts report that Lever Brothers virtually control the retail price of soap in this country, and that the present costs of production warrant a reduction of between one penny and twopence per pound in the finished article.

The unions representing all the skilled constructional workers in the shipbuilding industry have resolved to combine to form the "Central Combination of Ship Constructional

and Engineering Workers'. The union, which will have a membership of about 300,000, will embrace the Boilermakers, the Iron and Steel Shipbuilders' Society, the Ship Constructors' and Shipwrights' Association, the Associated Blacksmiths' and Ironworkers' Society, the General Sheet Metal Workers' Society and the Amalgamated Society of Woodworkers.

9th. The Associated Society of Locomotive Engineers and Firemen have decided to strike unless an enquiry is agreed upon by February 15th into the fatal shooting of some of their members at Mallow.

Unemployment: Some 1,200 unemployed at Norwich Market-place made a practical test of Mr. George Lansbury's advice that they should demand admission to the workhouse. The Master's statement that the house could only accommodate fifty men in the casual ward after 6 p.m. led to disorder, one policeman was badly injured and three men were arrested.

10th. Replying to the railwaymen's letter addressed to him by Mr. J. Bromley, the Prime Minister states that he has given instructions for an investigation to be made in Ireland, but that the action of the Government will not be influenced by improper threats.

The Agricultural Wages Board rejected the demand made by the Agricultural Workers' Union for an increase of 4s. a week on the present minimum of 46s. The National Farmers Union urged that the industry could not afford even the present minimum.

A court of arbitration has decided against the claim of the National Society of Dyers, Finishers and Textile Workers for a minimum rate of £5 for 48 hours.

11th. The N.U.R. Executive will press for a public enquiry into the Mallow shootings when Parliament re-opens on the 15th. Strike action by the Associated Society will therefore be postponed.

Employers and workers in the staple industries of Leeds have set up joint committees of enquiry into the conduct of the several industries and the steps that can be taken to increase trade and relieve unemployment. Interim reports will be made to the Lord Mayor on February 28th.

The French General Confederation of Labour has definitely excluded from its ranks all belonging to the Committee of Revolutionary Syndicalists—the Bolshevik element of Labour in France.

12th. The London Teachers' Association approved a scheme of amalgamation with the National Union of Teachers.

14th. Mr. J. R. Clynes was unanimously elected chairman of the Parliamentary Labour Party in succession to Mr. W. Adamson, Mr. Stephen Walsh and Mr. J. H. Thomas are vice-chairmen, Mr. Arthur Henderson chief whip and Messrs. T. Shaw, F. Hall, Neil Maclean and T. Griffiths, junior whips.

Ulster railwaymen addressed a letter to the Prime Minister repudiating "Bromley's illegal strike threat" and criticising his whole policy in regard to Ireland.

16th. Debate on Unemployment in the House of Commons. The Government proposed to extend the benefits of the Unemployed Insurance Act, paying 18s. a week to men, and 15s to women for a maximum of 26 weeks. The qualification for the benefit will be 20 weeks work since January 1920. The total contribution will be increased from 10d. to 1s. 1½d.

The I.L.P. will send the following delegates to the International Socialist Conference in Vienna:— Messrs. R. C. Wallhead, Ben Riley, E. Shinwell and J. H. Hudson. Mr. Roden Buxton will act as interpreter. The object of the Vienna International is to form an International Working Union of Socialist Parties which will represent revolutionary socialists who aim at achieving political power for the proletariat by means of the class struggle. It will exclude the Second and the Moscow Internationals.

17th. The Railway Locomotive Engineers' and Firemen's Union have withdrawn their threat to strike on the question of the Mallow shootings. The reason given is that the public has shown itself favourable to the inquiry, and a strike would be prejudicial to public interests.

19th. Incendiaries set fire to farms and farm-buildings in Cheshire and Lancashire, causing damage estimated at £20,000.

22nd. The Executive Council of the National Federation of Building Trade Employers recommend the Federation to accede to the Government's request that employers should take into the industry 50,000 ex-Service men.

A delegate conference of the Miners' Federation rejected the proposal of the South Wales Miners that drastic action should be taken within 14 days to enforce Labour's unemployment programme. It also decided to leave the negotiations on wages in the hands of the Executive Committee. The principal difficulty in the wage question concerns the proportion in which the takings in the industry shall be divided between owners and wage-earners. Owners are said to favour the allotting of 50 per cent of the total earnings as the new standard minimum with a floating margin of equiva-

lent amount to meet post-war additions; but of the floating margin an extra allowance would go to the owners as a kind of insurance for the maintenance of wages and profits during bad times. On this basis the miners would press for a considerably higher minimum wage.

23rd.

The International Labour Office (League of Nations) publishes statistics showing the growth of trade unionism in twenty countries since 1910. In 1910 the world total numbered 10,835,000; in 1919 it reached 32,686,000.

Unemployment: The T.U.C. and Labour Party Conference yesterday decided to urge their policy upon the Government by constitutional means only. Direct Action was condemned as inexpedient in that it would aggravate unemployment and alienate public sympathy. Mr. Clynes and Mr. Thomas advanced and supported the principle that majorities must rule, and stated that Labour policy was not yet the majority policy.

The Government's bill for palliating unemployment passed its second reading. Mr. Clynes introduced a bill for dealing with abnormal unemployment. The main object would be to make the Central and Local Authorities fully responsible for providing work or maintenance for all. The authorities would have power to withhold relief from those who refused to do work offered.

Coal Industry: Sir Robert Horne had conferences with miners and owners and urged the necessity for decontrol of coal prices. Mr. Hodges, for the miners, approved financial decontrol before August 31st, the date at which control legally ceases. He further urged that collieries should not be closed without the permission of the Secretary of Mines, and that, whether closed or not, the miners normally employed should receive the war wage of 3s. per day until financial control ceased. With this proposition Sir Robert Horne agreed.

Trade Boards Act: Employers in many of the trades concerned under this Act are protesting to the Ministry of Labour that its action is uneconomical and a cause of some of the present unemployment. Attempts are being made in several industries to evade the awards of the Trade Boards. The trade unions have decided to establish a National Trade Board Advisory Council to strengthen and increase the scope of the protection afforded now by the Act to over three million workers.

Efforts are being made to reduce women's wages in the cocoa, confectionery and jam industries, and the screw, nut and bolt works in the Midlands, in laundries and in the saddlery and harness fitting trade.

Coal Decontrol: On March 1st the control of inland distribution and pit head prices will cease; and it is understood, financial control will be removed on March 31st. Both owners and miners are opposed to financial decontrol in the present state of the industry.

Unemployment: The Government accepted an amendment to their bill raising the benefit for men to 20s. and for women to 16s. a week.

25th. **Coal Mines:** The renewed negotiations on wages were broken off yesterday and will not be resumed until the opinion of the full Executive of the Miners' Federation has been obtained. The negotiations broke down owing to the owners' decision that wages must be treated on a district basis. The Miners' Federation is, of course, committed to the policy of a national wages scheme.

Australian shipping strike: After a ten weeks' struggle, causing widespread dislocation of industry, both parties have agreed to settle their disputes by constitutional means.

Dockyard Dispute: As a protest against the action of the Government in introducing short time in their dockyards and other establishments, the Trade Union side of the J.I.C. resigned from the Council. At a Ministry of Labour Conference they were induced to resume their seats on an undertaking being given that it was the Government's intention to make the fullest possible use of the Whitley machinery.

26th. Coal Industry: Mr. Hodges stated at Pontypridd that the only way in which the coal industry could be revived was by treating the trade as a national asset, coal being sold at less than cost, and a Government gratuity paid to owners and miners to make good the loss. A reduction of £1 a ton in coal would cheapen steel by £4 a ton.

27th. A representative household budget shows a reduction of 3s in the pound in food prices as compared with last October.

28th. Coal Industry: The whole of the advances secured in the strike settlement of November last are now wiped out by the fall in coal output due to trade depression.

French Communists: The trial of ten French Labour extremists was opened in Paris. The men are being tried for offences in connection with the attempt to bring about a general strike last May. The accused are charged with having taken advantage of the inevitable post-war difficulties to try to bring about a revolution that would establish a dictatorship similar to that of Lenin and his associates.

I.P. STUDY SCHEME.

Our endeavour to promote the study of economics by offering prizes for competition among teachers in elementary schools has received widespread sympathy and support. Our thanks are due to the Press which has given us generous notice and has done much to help bring the scheme to the knowledge of the public. But there is still room for more candidates—and there is still plenty of time to enrol. Readers of *Industrial Peace* this month can help to further the aims of the journal by handing the enclosed reprint to a teacher who has not yet heard of the competition.

■ ■ ■

Only one adverse criticism has been brought to our notice, and this is perhaps not directed so much against the scheme as against the way in which a particular London newspaper advertised it as "For Elementary Teachers." A writer in *The Teachers' World* objects that teachers in elementary schools are no more in need of this particular kind of enlightenment than are secondary school teachers. On the other hand, we have had numerous letters from teachers in secondary schools and from people holding important posts which bring them in contact with adolescents, asking why they should be excluded. To both parties—those who are aggrieved at our selection because they alone are chosen, and those who regret that they are excluded—our explanation is as follows. We were, as a matter of fact, loth to exclude any who were interested, but a start had to be made somewhere, so we determined to make our offer first of all to the teachers in elementary schools. We hope later to find the necessary prize money to enable us to follow up the present course with others on slightly different lines to meet the requirements of secondary school teachers, welfare workers and perhaps of those who have already some acquaintance with the subject.

Notes to Candidates.

Candidates already enrolled must not fill up the entrance forms in their copies of *Industrial Peace*. Each candidate requires one form and *one only*. The best use that can be made of surplus forms is to hand them on to friends not yet enrolled.

Candidates who do not receive a copy of *Industrial Peace* by the 20th of each month, up to and including July or August, should write to the Secretary for a copy.

Those who wish to have the receipt of their answers acknowledged must enclose a stamped addressed post card with their papers. Library coupons must be forwarded to The Central Library, not to *Industrial Peace* offices.

"I.P." STUDY SCHEME.

Paper No. I.

(Each question must be answered on a separate sheet of paper).

Candidates must write their name clearly at the head of each sheet of paper.

Answers should be as brief as possible, and no single answer must exceed 750 words.

All answers must be received by The Secretary, "I.P." Study Scheme, at 20 Magdalen Street, Oxford, not later than April 30. To facilitate correction, candidates are asked to send in their answers as early as possible.

1. Explain fully and give practical illustrations of the statements:— (a) No one is economically independent. (b) All economic life consists of an interchange of services.

2. Discuss briefly the most important considerations connected with (a) the accumulation, (b) the employment, of capital.

How is industry affected when there is a shortage of capital?

3. It is usual to say that the price of an article depends on demand and supply. What is the precise meaning of these two terms in Economics? Show how demand and supply influence one another.

4. Examine the factors on which the geographic distribution of industry depends.

(NOTE.—The first three questions are based on *The Economics of Everyday Life*, the fourth on a knowledge of *Social Economics*.)

No. XLIV
APRIL

MCMXXI

"Confidence is the basis of all industrial success."

INDUSTRIAL PEACE

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INDUSTRIAL PEACE

COAL.

WE are in the midst of serious economic difficulties which have been accumulating since the Armistice. Although the actual crisis has developed in the coal-mining industry and its occasion is the decontrol of that industry, the fundamental causes are operative throughout the economic world. During the war we used capital as income and further pledged our future resources. Moreover, we acquired the bad habit of manufacturing currency, and in this way were enabled to pay the constantly advancing prices which were charged for the commodities required by the State for the purpose of carrying on the war, and the advances in wages which accompanied (both as effect and cause) the rising prices. The tale has oft been told, and need not detain us now. It is important to observe, however, that commercial tests were suspended. During the first eighteen months after the termination of the war, so great was the leeway to be made up, in respect of consumption goods (such as clothes and furniture) and instrumental goods of certain categories (of which coal was one), that the highly artificial conditions persisted. Then a change came over the economic world, which appeared early in some industries, and later in others. The most urgent needs (except in the highly disorganised States of Europe) were satisfied; shortage gave way to comparative plenty; the competitive force again became operative and commercial tests were restored. The change, inevitable in any case, was hastened by the disorganisation of the foreign exchanges. Some countries were favoured, others handicapped. In the coal-mining industry the change, for obvious reasons, appeared late, but when it came it appeared with startling rapidity, which made preparation difficult, if not impossible. It was accelerated and intensified (though not caused) in this country by the ease with which European States were able to draw upon the United States, and France was able to command supplies from Germany.

Now that the commercial test has been restored we find it to be an international test; and although the depression is world-wide, its intensity in Britain is partly determined by our competitive power in the contracted markets of the world. Although, to all appearances, our export trade forms a com-

paratively small proportion of our total trade (which misled Mr. Bonar Law and caused him to state recently, in Glasgow, that he anticipated the early passing of the depression through the revival of home demand, which, he said, constituted the great bulk of the total demand) our prosperity is inextricably bound up with the prosperity of our external trade; and unless we recapture our foreign markets our future is indeed dark. But we find that the high money (not real) wages so easily granted during the war appear to be the most serious obstacle. We seem to be failing in the commercial test. Hence the dilemma of the manufacturers. They may not—the majority do not—desire a reduction of wages so long as the cost of living remains so high; yet they feel that the recovery of foreign trade (one of the first conditions of any substantial fall in the cost of living) is impossible without such reduction. The unwelcome alternatives thus seem to be either the maintenance of existing wages (and a consequent high cost of living) with much unemployment, or a reduction in wages (and a consequent steady fall in the cost of living) with less—and diminishing—unemployment. Verily we are treading on a spiral staircase, which we may climb without feeling too giddy, but can only descend in fear and trembling, feeling less panic when we close our eyes and trust to the handrail. And we realise the value of the solid platform of gold upon which we stood before the war.

Such are the circumstances in the chief industries of this country. In coal-mining they have been revealed in all their intensity, by the removal of Government control. The industry can no longer afford to pay, out of current income (the value of its products in the market) the wage rates paid during March to the workers. Already an "output" advance resulting from the agreement of November, and which reached a maximum of 3s 6d. per day, had disappeared. Now the coal-owners confess inability to resume operations under "commercial" conditions, without further restrictions varying according to district, and amounting, in some cases, to thirty, forty, or even, it is said, fifty per cent. Hence the present stoppage, termed by some a strike, by others a lock-out.

In the present case the responsible miners' leaders have carefully refrained from blaming the coal-owner—recognising his helplessness—and concentrated their attack upon the Government. They do not, indeed, appear to regard the offer of the former as ungenerous in all the circumstances of

the case. That the miners should oppose the sweeping reductions involved in the employers' proposals was only natural. The decision to withdraw the pumpmen, thus endangering the mines themselves, was, however, wholly unexpected and has been severely criticised. We have no desire to appear to justify the policy of the Federation in this matter. It seems to us absolutely unjustifiable. The mines, like all fixed capital, are a heritage of the past, and represent part of our responsibility to our descendants. No generation has any right to deplete the capital stock of the nation, and so endanger the economic life of future generations. But it is right that we should examine the circumstances that led to the decision to withdraw the emergency workers. Under normal conditions the miners possess very great economic power. Withdrawal merely of the ordinary workers causes great inconvenience at first, and ultimately serious distress to the community as a whole. The Government is, therefore, compelled to intervene at a comparatively early stage. But the present circumstances are abnormal. All industry (coal-mining included) is in a depressed state; the demand for industrial coal is unusually small, the need for coal for export is less than usual, and for household purposes, diminishes as the Spring advances. Alternative methods of transport (and therefore of supplying essential food-stuffs to different parts of the country) are available in larger measure than ever before. The inconvenience to the community is thus likely to be less than usual, while the ability of the miners to endure a struggle of long duration is considerably less, for various reasons, than in recent years. The Miners' Federation probably desired a short, sharp struggle, and realised that its desire was not likely to be achieved, and that it was not in a strong enough position to fight a long battle. Hence, probably, the decision to withdraw the emergency workers and thus compel the community to intervene at a very early stage.

The difficulty of the problem is clearly twofold—how to secure a resumption of work in the coal-mines, and how to deal with the wages problem as a whole, in the present abnormal circumstances. The latter requires a separate article. As regards the former it may be repeated that the struggle is the immediate consequence of decontrol, for which the Government is responsible. Is then the Government to blame? Has the act of decontrol created the crisis or merely ante-dated it? These questions are of more than academic importance, they are not far from the root of the whole matter.

The miners' leaders have repeatedly and in unmistakable terms declared that the real issue is not the subsidising of wages until August, but their determination to force upon the owners the acceptance of two principles throughout the industry, namely, the National Pool and the National Wage Basis. There are, of course, more ways than one of dealing satisfactorily with the wage question if both sides could get to work and discuss the problem with a desire to solve it as such. But the Miners' leaders have chosen their own particular solution—or what they believe to be a solution—and flatly declare that they will have no other. To put the facts in another form, whatever individual miners may be aiming at, their leaders are fighting for control of the coal-mining industry. They are concerned essentially not with the relative shares of labour and enterprise in the proceeds of the coal industry, but with determining in detail the distribution of the product as a whole. Their demands, be they right or be they wrong, strike at the root of the industry; they affect not only the distribution of the product, but the actual product itself. If they are wrong they may do incalculable harm to the whole economic life of the nation. The disinterested onlooker who remembers that the miners are committed to the policy of nationalisation will view the present demands as a definite move towards the accomplishment of that end, and will judge the demands themselves in the light of that knowledge. The problem has been variously presented to the public. When the Government was suspected of ante-dating decontrol merely in order to escape the odium of having to reduce wages to the amount which the industry will be able to bear over a comparatively long period, public opinion blamed the Government and sympathised with the men. Efforts were next made to convince the transport workers and the railwaymen that, through the mining industry, a general attack was being made on the relative shares of labour and enterprise. Finally the miners' leaders declare that nothing will satisfy them except their pound of flesh cut from nearest the merchant's heart.

As usual the public are left in the dim twilight, straining their eyes to see things as they really are. But whatever may be the legitimate grievance of the miners in this particular dispute, the leaders have alienated public sympathy from the men by confusing the issue and leaving us with a strong suspicion that the true aim is not a fair wage for fair work but another bid for nationalisation.

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THE BLUE BOOK WORM.

[A mass of valuable information lies buried in Blue Books.

Though these publications, besides being authoritative, are often interesting and inexpensive, they seldom find their way into the hands of the general reading public. We propose, therefore, to give a monthly list of some of the more topical and important Government papers, with short summaries of their contents.]

1. *Trade Agreement* between His Majesty's Government and the Government of the Russian Federal Soviet Republic.
Command Paper 1207, 1921. 1d. net.
2. *Mandates* for
 - (a) German South-West Africa. Cmd. 1204, 1921.
 - (b) Naura. Cmd. 1202, 1921.
 - (c) German Samoa. Cmd. 1203, 1921.
 - (d) German Possessions in the Pacific Ocean situated south of the Equator other than German Samoa and Naura. Cmd. 1201, 1921. 1d. each.
3. *Draft Mandates* for Mesopotamia and Palestine as submitted for the approval of the League of Nations. Cmd. 1176, 1921. 2d. net.
4. *General Report* on the Industrial and Economic Situation of Norway, December, 1920. Cmd. 1145, 1921. 9d. net.
5. *Report* on the Conditions and Prospects of Trade in the Protectorate of South-West Africa. Cmd. 842, 1920. 9d. net.
6. *Report* on Light Castings.
(Central Profiteering Committee.) Cmd. 1200, 1921. 2d. net.

AFTER a chequered year of intermittent negotiation the trade agreement with Russia is now an accomplished fact. Mr. Bertrand Russell, who accompanied the Labour delegation to Russia last year and set down his impressions in a brilliant book, found Lenin much less anxious for a resumption of foreign trade than were the members of the delegation. The grounds for Lenin's attitude may easily be guessed. He now feels strong enough, presumably, to risk closer contact with the capitalist West, and, if rumour be true, to modify his pedantic communism. But even now trade with Russia is

not secure, for Russia may terminate the agreement forthwith if the British Courts should uphold the attachment of goods sent to England by the Russian Government on account of obligations of the present or previous Russian Governments. Till the test cases have been decided little can be done.

The making of Mandates is generally misunderstood. Up to now the mandatory Powers have drafted their own Mandates and submitted them for the approval, more or less formal, of the League of Nations. No other course could well be taken with the spoils of war under the various peace treaties without infringing the sovereignty of the mandatories. The first four mandates noted here are short and practically uniform in their terms. They do no more than incorporate the ex-German territories in British States that are already well organised politically. Notable among their provisions are the prohibition of slavery and forced labour except under specified conditions, of the trade in arms, of the supply of spirits to natives, of the military training of natives and the establishment of military bases or fortifications. In the case of Mesopotamia and Palestine it is significant that the Government should have printed its draft-mandates. But whereas these drafts were submitted by Mr. Balfour for the approval of the League of Nations on December 7th, 1920, Cmd. 1176 bears the date 1921. The contents of both are diverse and detailed. Lord Bryce, writing in the *Times* on March 24th, complained that the Government did not take Parliament sufficiently into its confidence in the preparation of its drafts. The present drafts, substantial and fairly controversial documents, give a formidable summary of part of the White Man's Burden.

Cmd. 1145 and Cmd. 842 are among the first-fruits of the new Overseas Trade Department. Both reports are interesting and useful. Those who have suspected that in German South-West Africa the British Empire added one more desert to its area will find some evidence here to support their pessimism. Apart from the sensational finds of diamonds on the western seaboard, stock-raising is the colony's chief resource. Coal exists, and metals. But the colony has been too little explored to permit of any reliable forecasting of its future. If it has to depend primarily on stock-raising, there is room, according to the report, for about 7,000 white men's farms.

The Report on the state of Norway reads like a parody

of British history since the war. It is the same story of boom and inflation and collapse. Shipping was profitable during the war, but the slump in freights, coupled with losses by submarines, burdensome contracts for new tonnage at high rates, and an unfavourable exchange, have embarrassed her maritime enterprises. 1920 was a year of severe Labour unrest. There were many serious strikes, in which the State railways were involved. So much for the plea that strikes can be prevented by nationalisation! In July, 1920, an Act was passed for the setting up of Works Committees. The influence of Moscow and its ideas over the Norwegian workmen is now, fortunately, waning. Resistance to Labour intimidation has embodied itself in the "Norges Samfunnshjelp" (Norwegian Association in Aid of Society). This Association, which appears to be based on the model of a similar association already existing in Denmark, recruits its members from all classes and both sexes. It does not dispute the right to strike or lock-out, but aims at preventing a resultant paralisation of Society, and it takes action only when requested by the lawful authorities, who have promised its protection by all lawful means. Up to the present it has only taken action at Bergen, where, during a strike of municipal employees, it kept the gasworks running and unloaded a cargo of coal. The Association is bitterly opposed by organised Labour, who regard its aims as incompatible with their own. The shortage of housing has led to drastic regulations for the sharing of the larger dwellings.

Our own housing problem makes the report of the Central Prosteering Committee on Light Castings timely and interesting. Bricklayers who will neither lay bricks themselves nor allow other men to lay them, and makers of light castings who restrict a supply of housing necessities, add to the woes of the Ministry of Health. This report adds force to the argument we advanced in our last number ("The Problem of Trusts," *Industrial Peace*, March, 1921) for permanent legislation to deal with monopolies.

THE MAN AND THE MACHINE.

In January we briefly summarised the arguments contained in the preliminary chapters of Mr. William R. Basset's book on industrial efficiency. (*When the Workmen help you Manage*, Century Coy., New York). This month we give his conclusions, based on the experience of eighteen years spent in organising labour in America and Europe, as to the value and scope of self-government by the workers.

Mr. Basset sees no danger in granting "a measure of autonomy in such matters as directly affect the men, wages, hours, inspections, conditions of work and all penalties." Such committees, elected by the workers themselves with the goodwill of the employers, also serve the purpose of enabling the men to "discover what the company is aiming at, what are the trials and what the rewards." Through this means "they become in a way co-managers and with responsibility naturally comes knowledge; they partake of the ideals, and spread those ideals to their fellows."

Mr. Basset gives numerous instances of the success of such experiments, not only in stimulating the interest of the worker in his work, but in revealing unnecessary waste of time and materials. At the same time he is careful to point out that the management of the human factor in industry cannot be reduced to a system. Every factory and every commercial enterprise has its own psychology, and the admission of the workers to control in administration must be gradual and conceived on a plan suited to individual conditions. All his recommendations are, in fact, based upon the principle that no permanent success in industry can be attained unless the workman is "proud of his job," and unless it is made a source of felicity as well as of profit to him. He believes that the employer's prejudice against democratisation is founded on an erroneous conception of its probable effects. "The employers fear that mutual control will do just what the workers fear it will not do—and that is to destroy capital." As Mr. Basset sees the situation "the eventual effect of joint control in industry will on the contrary be to break down the distinction of capital as master and labour as servant, and to establish in its place equality of opportunity." If it is adopted "the tendency will be more and more to recognise that

capital and labour are apart equally impotent." Joint control is after all only a means to an end, not the end in itself, which is industrial peace combined with industrial efficiency. To Mr. Basset's mind this twin ideal will only be obtained in an atmosphere "that will permit creative work by freeing the intelligence and the persons of the workers from repressive control." The risk involved in such an innovation is, he believes, illusory. "I personally know the facts or have had investigated perhaps a score of instances where exceptionally wide powers of authority have been granted to workers, and I have yet to learn of a single instance where that authority has been abused, or has been used for any other purpose than advancing the best interests of both the company and the workers, considered as a whole."

Shop committees are, moreover, better equipped than employers to deal with Trade Unions when cases of dispute arise between them, for "there can be no antagonism when the corporation representatives appointed to deal with Union matters are themselves Union men, elected by the body of workers to preserve their own best interests." The trade Union tenets of "closed shop, limitation of output, regulation of hours and the fixing of wages, are all part of an economic defensive that need not be, and is not, maintained when the reasons for it vanish. And under autonomous works' control the reasons do vanish."

Mr. Basset gives two reasons for his lack of faith in profit-sharing as a panacea for industrial unrest. The first is its instability and consequent liability to reduction when profits fail, and the second its remote relation to the amount of work done. "The Worker," he writes on this point, "should be paid, not a share of the earnings of Capital, but for his contribution, and he is not entitled to have his contribution lessened or augmented in money value by reason of any force outside himself." How the balance of financial reward is to be proportioned so that both capital and labour receive their deserts is, as Mr. Bassett admits, one of the most difficult problems to solve — the more difficult because no static solution of general applicability exists. As with the inauguration of co-management between employer and employed, the scientific adjustment of wages and profits can only be achieved when the particular character of each enterprise is taken into consideration. As Mr. Basset puts it, there is no prescription of universal efficacy. "Instead, the remedies are

to be applied only as individual diagnosis proceeds, and then gently, ever with a readiness to acknowledge a mistake and to make a correction." The test of success is that the two should "function together to the best advantage and exert a maximum of brains and brawn."

In conclusion Mr. Basset records his conviction that if Capital is to survive it will only do so because it performs a function that gives it a title to life. "It will live if it can demonstrate that the worker—the man who has not capital—gets more in association with it than without it. The worker must get not only more money but more dignity of position, more opportunity for self-expression and a wider scope for creative energy—in short, greater comfort and cultural advantages with than without." He repudiates the idea that any partnership is possible or desirable between Capital and Labour. They are on the contrary "in the position of buyers and sellers," each to be rewarded "for what it does and for nothing more." The dignity of Capital is assured, but the dignity of Labour has still to be assured, through participation in control at least of those matters that concern its daily life, and opportunities for the free and constructive exercise of the creative faculty. That is the burden of his message. In itself the wage question is a side issue and its amount immaterial, "for it is the ratio to production that counts." Above all the reward of labour for its effort should be direct, secure and graduated, after a living minimum is reached, upon the quantity and quality of the work done "with departmental as well as individual incentives."

The creation of this atmosphere and these conditions is, according to Mr. Basset, not only the whole duty of Capital but the reason for its continued existence. Mr. Basset writes as a friend, but as a candid friend whose candour is justified by vast and varied experience. As such his book is a valuable contribution to the literature of the subject—all the more valuable because his suggestions for the cure of the malady he diagnoses with such ability are based, not upon abstract theory, but upon observation and experience. That some of his deductions are not as applicable to the conditions of industry in Great Britain as they are in the United States, Mr. Basset would be the first to admit.

THE FACTS OF THE CASE IN DIAGRAM, XII.

In article No. VIII of this series we examined the question of the division of the net output of industry under the headings of wages, salaries, rents, profits, depreciation, etc., basing our diagram (No. 16) on the figures disclosed by the Wage Census of 1906 and the Census of Production taken in the following year. In that diagram we dealt solely with money values and analysed the proportions in which the net product of our principal industries (amounting to £644,000,000) was then allocated in respect of the specific services enumerated.

It is obvious that such a diagram could cover no more than a section of the ground that will have to be surveyed before a bird's-eye view can be obtained of the full significance of the distribution of the national dividend. The problem must be observed from several points of the compass if anything like a well-balanced entity is to emerge, and even then we shall not have reached finality, as the condition is markedly one of incessant change.

As a second step in the required direction we now propose to exhibit the manner in which the national income was distributed amongst the population of the United Kingdom in 1880 and 1913 respectively.

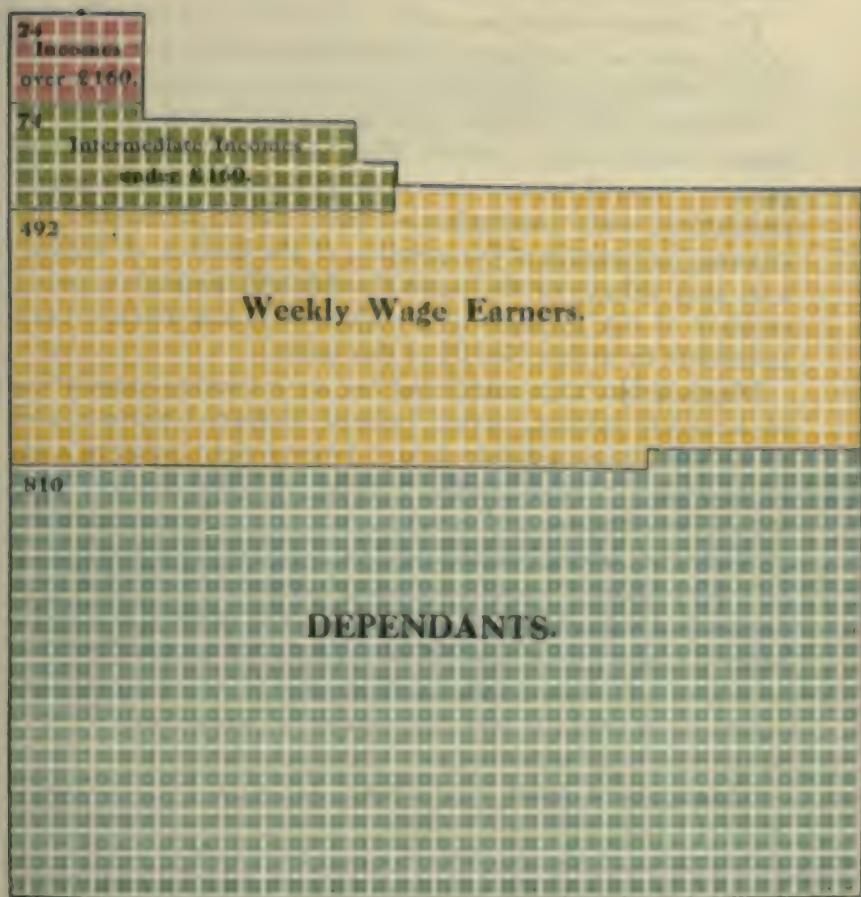
There are many reasons why these particular years should be taken. A period extending over more than three decades is not too short to allow tendencies to assert themselves and not long enough to carry us back into too ancient history. In 1880 the wave of depression that had lasted since 1878 had passed away and the condition of trade and employment had again become normal. The year 1913, as the last completed year before the outbreak of the European war, will always be the standard to which statistical enquiries of this nature will be referred for many a generation, and there is the additional advantage that the level of wholesale prices in 1913 was only some three and a half per cent. below that ruling in 1880.

There exists, as our readers are aware, a considerable range of diversity in the estimates arrived at by various authorities who have essayed to solve the problem of the distribution of the national income, and until some more convincing basis than that provided by Income Tax assessments can be discovered, an element of doubt must always be present in the minds of those who have to draw practical conclusions

DIAGRAM No. 21.

(Note.—The figures in brackets refer to the number of squares in each group.)

1880.



CHANGES IN DISTRIBUTION OF THE NATIONAL INCOME 1880—1913.

Scale: each square of colour represents 25,000 persons.

from the results of these calculations. When, however, such careful and experienced investigators as Sir Josiah Stamp and Dr. Arthur Bowley are in substantial agreement we may safely assume that the margin of error has been reduced to a minimum and can afford to postpone consideration of more speculative estimates until such time as the appearance of new data calls for a revision of the situation.

The diagrams which we publish this month are based on the tables given in *The Change in the Distribution of the National Income, 1880-1913*, published by Dr. Bowley in 1920.

Diagram No. 21 deals with a population of thirty-five million persons and consists, therefore, of fourteen hundred squares. It will be seen that some 58 per cent. of the whole population were incomeless—a fact which illustrates the supreme importance of the question of the number of dependants that belong to the wage-earning and property-owning sections of the community, a subject that has already been referred to in article No. III of this series.

Diagram No. 22 is calculated for an estimated population of forty-five million, seven hundred thousand persons and comprises eighteen hundred and twenty-eight squares, each representing 25,000 people. The principal changes that should be noted are as follows :

While the whole population has increased approximately 30%, the number of persons enjoying incomes of over £160 per annum has increased one hundredfold. The number of persons other than wage-earners, with incomes of under £160 has increased by about 133%. The number of wage-earners has increased by over 23% and the number of dependants by very nearly the same percentage.

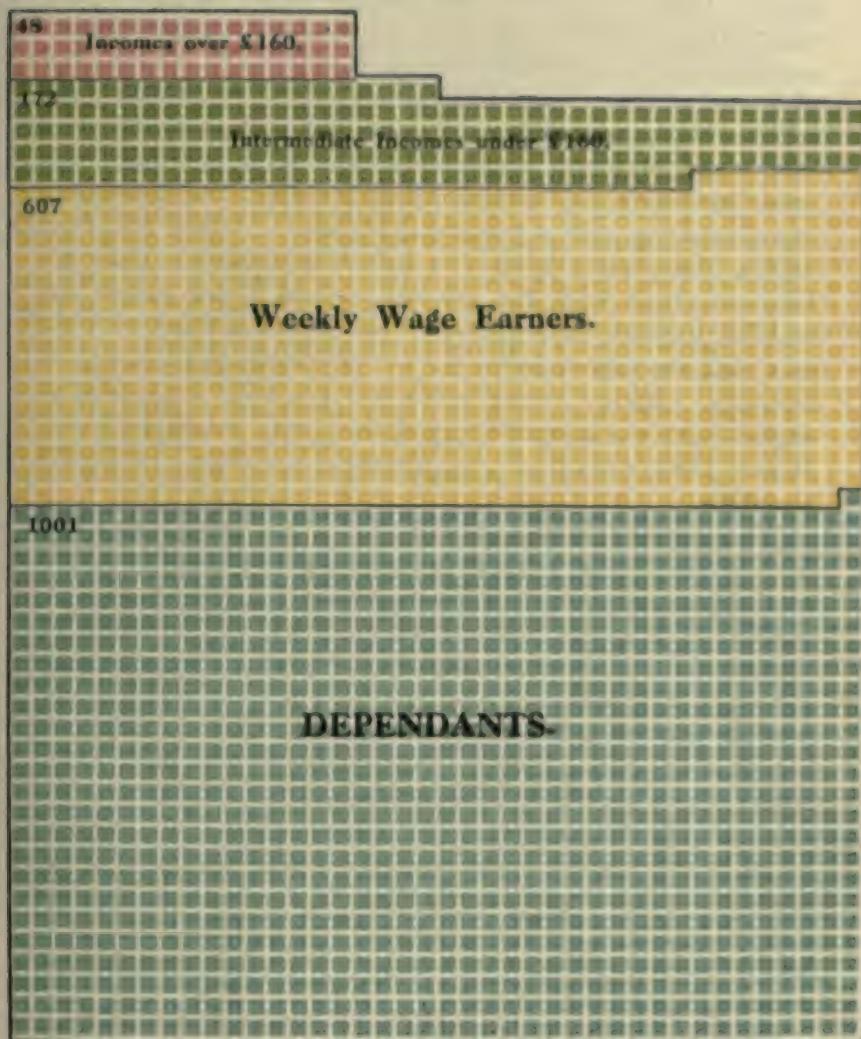
These figures seem to indicate (a) that the incomeless section has diminished by approximately 3%; (b) that since the increase in the number of wage-earners is relatively less than the increase in the population, without any corresponding rise in the number of dependants, there has been a migration from the ranks of manual labour into the higher categories; (c) that the number of the moderately well-off has increased at the expense of the number of the inordinately rich.

These conclusions may not carry us a long way, but they are all in the right direction. There is not the smallest doubt but that these tendencies have steadily become more pronounced during the last eight years than at any previous period in our history.

DIAGRAM No. 22.

(Note.—The figures in brackets refer to the number of squares in each group.)

1913.



CHANGES IN DISTRIBUTION OF THE NATIONAL INCOME 1880—1913.

Scale: each square of colour represents 25,000 persons.

MUTUALISM.

POLITICAL and social reformers are agreed on one point—there are things that need reforming. Some fear the ultimate results of the enormously rapid movement during the last century towards a pronounced concentration of industry in selected areas. They view with apprehension the depopulation of agricultural districts, the growth of thickly populated industrial regions, and the increasing economic inter-dependence of States which are apt, at intervals, to quarrel among themselves. Hence proposals for a consistent protectionism which will make States in a greater degree self-supporting; and other proposals for decentralising industry, and combining manufacturing with agricultural pursuits. Other reformers attack the present system of industrial control. They are less concerned with the manner in which the people are huddled together in enormous urban districts than with the fact that the vast majority are at the beck and call of a small minority, who by virtue of capital are able, it is said, to exploit both the community and their own workers at will. Hence the growth of co-operation, socialism and guild socialism.

We are now witnessing the birth of a new Ism—Mutualism. Mr. Arthur Travers-Borgstroem, keenly aware of the defects of the present system of private enterprise, yet fearing the political corruption and the bureaucracy which would be generated by the ownership and management of industry by the state, has endeavoured to evolve a system which would obviate the difficulties of the latter while effecting a remedy for existing evils. First he was attracted by the idea of nationalising credit, and in 1916 wrote a pamphlet on the subject. He then appealed to the world through the medium of an international competition (under the patronage of the University of Berne), offering substantial prizes for the best "critical study of the organisation of credit in a given country, and proposals for its nationalisation." We shall need to wait over three years for the results.

Further study of the problem led to a belief in the need for reorganising industry as a whole upon a basis of mutualism, which will combine "the nationalisation principle and the business principle." The scheme is now published in book form*. It is given in extremely vague outline, and the reader

* *Mutualism, A Synthesis.* Macmillan & Co., 4/6 net.

will experience considerable difficulty in understanding what it is all about. Here and there the author seems to be at one with the guild socialist. For agriculture he would establish a system of State-Metayage, meaning "agricultural co-proprietorship and collaboration between the tiller of the soil and the State or some mutualistically regulated autonomous national organisation."

From internal evidence one gathers that Mr Borgstroem is versed in financial affairs, and what he has to say on the application of the principle of mutualism to credit constitutes the most important part of the book. But here again—desiring not to prejudice in any way the competitive essays—his utterances are somewhat cloudy and his precise proposals difficult to fathom. He would certainly nationalise, not only banks and other money-lending institutions, but all borrowing and lending, that is, he would prohibit private borrowing and lending. Insurance would consequently become a matter for the State. Although he is silent upon the point, it would seem to follow that the State would prohibit joint-stock enterprise, for a joint-stock company is a legal entity among whose creditors are to be reckoned, in a special way, the shareholders. A business man could presumably invest his own capital in his business; any further sums would be borrowed from the State, which would thus, by nationalising all borrowing and lending, nationalise, in effect, the greater part of industry itself.

The proposals on page 61 of *Mutualism*, if carried into effect, would mean that the solvency of a State institution should be guaranteed by semi-private associations. We have heard before of Government guarantees to semi-private bodies, but the proposals in question amount to a complete inversion of a custom which has hitherto obtained, and which, in our view, cannot be departed from without danger.

Mr. Borgstroem is aware of the two types of evils to which we have already referred. In dealing with agriculture he emphasises the need for reconstructing industry by geographic redistribution and wide diffusion: and one concludes that the chief end to be secured by State-Metayage is the closer combination of agriculture and manufacture. But in dealing with banking, the end sought through mutualism is quite different, being the elimination of the evils of competition and the avoidance of mechanical bureaucracy. One wishes the author had been more explicit, for it is evident that he has opened out new vistas, and that much may be hoped from constructive effort along the general lines which he has suggested.

THE BUSINESS MAN'S VIEW, VI.

(These articles consist of a series of extracts from the reports of Company Meetings, grouped to give the reader an opportunity of studying the effects of the many conflicting currents that go to make or mar commercial enterprise. Though these reports, giving as they do only the managers' point of view, cannot be considered to cover the whole field, they may, nevertheless, provide a valuable commentary on a good many aspects of the question as to the ways and means by which the nation does, in fact, secure its livelihood.)

Enterprise in Private Industry.

ONE of the most frequent criticisms made against the exponents of socialist and communist creeds is that they conceive of society as a machine consisting of parts capable of being driven to successful effort by an external force of which they are no part. They assume that men are good and reasonable and will therefore act well and reasonably without further motive. And, what is still more dangerous, they assume that a dead level of work without direct and personal incentive will suffice to maintain a population steadily increasing in numbers, health and happiness. Though this is true of the non-capitalist doctrines, the majority of individuals whatever their social and economic persuasion, know and admit that enterprise and invention play no less a part in the economic drama than do those three much vaunted heroes, Land, Labour and Capital.

Our object in illustrating, from the records of to-day, the actual working of individual enterprise in industry is three-fold. We want, first of all, by quoting concrete examples, to show that initiative and inventiveness are national assets to be cultivated by the State, because they achieve the double aim of giving freedom of expression to the individual and greater wealth to the nation. In the second place, we want to emphasise one of the many good points in the capitalist system of production. In the third place we want to stimulate thought around this important element in production. In the actions of specific men we can witness the value that personal enterprise contributes to national welfare, and we can ask ourselves whether capitalism, in some form or another, is the only possible soil in which this elusive source of wealth will flourish, and if so, what modification in the present system would ensure a richer harvest for national enjoyment without lessening the vitality of the plant from which it springs.

The enterprise of W. H. Dorman and Company, Limited,* whose experiments, carried out in the face of much scepticism during many years, are now yielding fruit, is an up-to-date example of the incalculable sources of wealth made free to the world by private enterprise stimulated by the hope of private profit. Mr. Walter Haddon, Chairman of the Company, who believes that wave transmission, when properly understood, will give us a new national industry of far-reaching importance to our basic industries, explained how his firm had unravelled the problem of this new means of applying energy. He pointed out that six years ago, had he followed the views of the majority, he would have abandoned further research, and the problem how to transmit and apply energy by wave impulse through water might have remained unsolved for many years. The use of wave-power tools in coal mines where electrical apparatus is too dangerous is foreshadowed as a means of increasing coal output without endangering human life.

The solution of the fuel problem itself is graphically described by Sir Henry Goold-Adams in describing the work done by Low Temperature Carbonisation, Limited, to industrialise the discoveries of modern science. "The low temperature carbonisation of wood," the Chairman said, "may now be regarded as an accomplished fact. We are satisfied that we now have in operation a successful working commercial plant. . . . Nothing is more obvious, in the light of the experience we have gained, than that the burning of raw coal is a criminal waste of the nation's greatest asset, and now that our process may be regarded as proved, I cannot doubt that the Government itself will not remain blind to the economic necessity for compulsorily carbonising all coal before use. For think what this would mean. No longer need a dense smoke pall hang over all our engineering and manufacturing districts and large towns, and no longer should we be almost entirely dependent upon foreign countries for our supplies of motor spirit, while in addition to the heavy oils required for such purposes as Diesel engines and lubrication, or for distillation into dyestuffs, we should be producing for every ton of coal carbonised something like 7,000 cubic feet of rich gas and some 20 pounds of the fertilising agent known as sulphate of ammonia. . . ."

Mr. Charles Samson, speaking as Chairman of English Oil-

* Dividend, 12 per cent.

fields, Limited, described "the years of trial and endurance" through which his Company had passed to emerge at last triumphant. The problem this Company undertook to solve was whether or not it was possible to obtain shale by the process of excavating by mechanical steam diggers instead of mining. After much delay it was demonstrated that shale could be obtained in this way at a cost not exceeding five shillings a ton, whereas the cheapest mode of mining would cost 27s. a ton. Having proved the existence of the shale, and that it could be successfully worked, there still remained the difficult question of how to retort it. "It was not," Mr. Samson continues, "until after we had tried a great number of retorts—and of course it takes a long time to test them, because we have first of all to build the retort, to get it going and give it a fair chance of working, which all takes time, and we were getting very discouraged with regard to this matter, when every retort we put up under the most fervid promises that could be made as to its answering our purposes, turned out to be a dismal failure"—that the services of Mr. J. Black were at last obtained and a retort set up which is now "turning out daily such oil as the theorists led us to believe we could find in the shale."

Pioneer work in the use of waste coal heaps is being carried on by Minerals Separation, Limited. Millions of tons of waste coal in this country and in France, Spain, India, China and Brazil may be converted into useful products as a result of the successful discoveries and inventions placed before the world by this Company. In the written opinion of two eminent authorities (Mr. Hutchinson and Mr. Ernest Bury, both directors of the Skinningrove Iron Company), the Company's flotation method of washing coal will become an asset of national importance. "The adoption of this process will render available for use in the iron and steel industries, and to other consumers, large quantities of fuel which have hitherto been regarded as valueless.

Sir Hugh Bell relates the story of another type of enterprise which brought into existence a useful and flourishing industry which could hardly have arisen apart from private adventure. Describing the early growth of The Horden Collieries, Limited, Sir Hugh Bell says—"We spent something like £50,000 in investigating the property which we had acquired. We then invited the public to subscribe to the undertaking, which we were careful to describe as one which must be looked upon

as an extremely speculative investment . . . The public did not respond very warmly to our invitation. We had to put our hands very deeply in our pockets. . . . For six years we did little or nothing except spend money." But the Chairman was able to show that ultimately the course pursued proved a prudent one and one which had been to the advantage not only of the shareholders, but even more to the still larger number of persons who gained a living as workers at the Horden Collieries. Taken over the twenty-one years of the Company's life, the capitalist has received an average remuneration of 7 per cent. per annum, less Income Tax, on this investment.

A more homely example of the divers ways in which men and women in every grade of life grow richer because men strive to emulate each other's achievements in the effort to enrich themselves is provided by Sapon Soaps, Limited.* The Chairman, the Earl of Denbigh, summarised the facts as follows—"We have perfected an entirely new method of making soap, a household and industrial necessity consumed in immense quantities; we utilise new and cheaper raw materials, we consume less than half the amount of coal per ton of soap made, and produce the finished article in about one-tenth of the time required for making soap by the ordinary process; we make the article possessing high curative as well as cleansing properties, and the plant required is much cheaper than that of the ordinary soap factory; we have proved it in the teeth of extraordinary scepticism to be scientifically sound and commercially popular whenever it gets a fair trial." In claiming that the directors of the Company are really doing a great work for humanity while at the same time they are trying to earn dividends for their shareholders, the Chairman regretted that, as with most new inventions, ignorance and prejudice throw obstacles in the way of their progress. One must, of course, expect the views of any chairman to be to some extent prejudiced in favour of his own undertaking, but impartial testimony was borne by expert opinion when the Company was awarded the Gold Medal last November in an industrial exhibition at Bristol. Moreover, Sapon Soaps, Limited, have, presumably, successfully fought their way despite the prior existence of a combine which, according to the Standing Committee on Trusts, is powerful enough to control the price of soap in this country.

* Dividend, 15 per cent.

FOOD FOR THOUGHT.

At the time that these notes are being written there is still a slender hope that the storm that has been brewing for the last four years may again pass without breaking in all its disastrous violence. At such a moment it behoves us to think warily so as to avoid saying anything that might add to the bitterness of the threatened conflict. But to be silent or to write only about matters unconnected with the main topic of the all-pervading preoccupation would be both futile and insincere. As we write forces are being marshalled that, if unchained, may lead to immeasurable loss, suffering and shame. If the clash comes no good thing can result. Victory and defeat are equally pitiful, equally valueless and equally expensive when the contestants are of the same blood and members of what ought to be a happy family. Therefore should we keep our eyes fixed steadily and always on the debit side of the ultimate balance sheet, for of a certainty there can, in the long run, be no other for any of us. Much has already been lost, and every day wasted in strife means emptier larders and sorrier hearts in the long future.



It is natural that we should all wish to form our own opinions with regard to the rights and wrongs of a quarrel in the outcome of which we are so deeply concerned, it is also proper that we should take sides when we have weighed the whole matter as impartially as we can, but we shall do best if we remember that never yet in this world has either side in any quarrel been so much to blame as the other is disposed to believe. The whites, like the blacks, are few and far between, it is always the stripes that predominate. For us, therefore, who as spectators (and reversionary sufferers which ever side wins) have no direct responsibility for the shaping of events, may follow with advantage this golden rule. Let us refuse resolutely to be blinded by prejudice or deafened by the shouts of our neighbours, and let us do our part in helping to allay the fever of the moment by sticking to facts, by ignoring tittle-tattle, and by preferring reason to animus.



It is the long view and the long view only that matters. What we have to consider is not the triumph of the moment but the verdict of history. If, therefore, the worst comes to the worst and the issue is joined in earnest, our first and

bounden duty is to keep our heads cool and our hands clean, so that whatever befalls us it shall be brought about neither by panic nor by ruthlessness. If, as we hope and believe, a way can yet be found out of the toils in which we are entrapped, we must take instant steps to prevent the recurrence of such a calamitous state of affairs. This, of course, is easier said than done, but we are convinced that more than half the present trouble is due to the absence of any properly equipped organisation, whose business it would be to investigate in advance the probable course of future events in the arena where militant Labour is bound to come to grips with the rest of the nation. The Government has been accused of precipitating the existing crisis by a too sudden decision to decontrol the mines at an earlier date than was generally expected, it has been blamed, and not without reason, for allowing the idea to gain credence that a concerted attack is intended against the standard of living of a great section of the community. These and many other matters of a like nature could have been foreseen in more exact perspective, and things foreseen in sufficient detail can and ought to be provided against.



The present storm has been gathering ever since 1916—the symptoms have been well marked and have followed their pre-ordained course in a natural sequence of events, but an ill-informed optimism has refused to look plain facts in the face and, despite all warnings, has allowed itself to be caught unawares in the end. Government spokesmen speak temperately to Labour Leaders, they make concession after concession to Labour claims, they move heaven and earth to achieve patched-up settlements, but they never seem to get any nearer to the heart of the Labour problem as a whole. The reason for this record of failure is not far to seek. It may be found in the fact that all values must necessarily be wrong when the fundamentals are misunderstood, and fundamental truth will not be discovered until the bottom of the well is explored. Haphazard and Efficiency were ever an ill-matched pair. Militant Labour is organised, it knows what it wants and subordinates everything to that object. As the situation develops the Government looks on with pained surprise—exerts itself furiously at each succeeding crisis and then goes to sleep again, little wiser than before, until the next alarm. Meanwhile, unceasing efforts are being made by anti-patriotic propagandists to undermine the social fabric of the nation by

misrepresenting every issue, by provoking suspicions and by fomenting class consciousness. The success that attends upon the efforts of these disruptive agents is rendered possible only by the widespread ignorance that prevails amongst all classes with regard to the very foundations of our economic life. Agreement between Capital and Labour on the thousand and one contentious issues of the day is, of course, not to be expected nor even aimed at, but it is surely possible for intelligent men to get rid of some of the more absurd fallacies and to shed some of the more pernicious nostrums that keep cropping up again and again to the hindering of everybody who is working for a return to sanity and to the despair of all who wish for universal peace and prosperity.

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A headmaster of a large school when asked to encourage the study of Economics replied that it was the thing his assistants were determined not to study. The science has undoubtedly got a bad name. The growth of society has been too rapid in the last hundred years for men to see just where they were going, and the economists, too late to lead the way, have been apt to content themselves with triumphantly clearing up the academic errors of the past and have too often failed to show a light into the future. But in the affairs of men the past unfortunately governs the future, and however clearly we may see where we went wrong, the past cannot be undone. Moreover the handling of the subject has tended to increase the real difficulties of the approach to Economics. Textbooks have been crammed with a formidable wealth of definition and special terminology. To the lay mind the science which deals with the "very stuff of daily life" has been divorced from realities and devoted to arid discussions of abstract theories.

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The first of these barriers has long since fallen away. The events of the last decade have forced attention to the fact that societies are governed by economic laws which, despite all our efforts to the contrary, must govern ultimate progress. The greater the growth of population and of the complexity of social systems, the greater the need of a proper understanding of, and obedience to, these fundamental laws. Those who would successfully lead the affairs of men, whether in commerce or in politics, now realise that they must be versed in at least the general principles of economic science.

If the literature of the subject remains for the most part involved and dreary, there are, nevertheless, exceptions here and there, and outstanding amongst these is a little book entitled *Wealth and Work*, by George W. Gough, M.A., (Philips' New Era Library, cloth, 36.) To say that an intelligent boy of sixteen, having once opened the book, would hardly put it down until he had reached the back cover is high praise, but it does not exaggerate. Whilst introducing the reader to all the important aspects of economic theory, Mr. Gough, by his vivid, homely style and by a wealth of apt and humorous illustrations, has contrived to instruct the student in the elements of his subject at the same time as he entertains him with a romance not less lively and certainly not less informative, than the classic *Robinson Crusoe*. The author's aim is to create an interest in the subject, and he justly claims to write for beginners, old and young, in the study of Economics. We heartily recommend the book whether for fireside reading, for the schoolboy, the working men's club, the welfare worker or the Works Library.



Mr. Gough's style is well illustrated by the following extracts :—

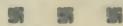
"Economics is the unseen thread on which the history of mankind is strung. Battles and treaties, the doings of kings and emperors, the rise and fall of nations, are the beads that are seen."

"A little over a century ago the working classes of this country were abased and nearly ruined by an administration of the Poor Law which, at any rate in its early stages, was prompted by pity for the condition of the agricultural labourer. That sad experiment should warn us of the danger that lies before us if we trust this new building to poor craftsmen merely on the ground that they mean to do well. The laws of political economy issue from the bedrock of human nature and that is why they, and the results to which they lead, must be known to all citizens."

"There is no greater cause of muddy thinking in economics than undue haste to grapple with big problems. The mischief is that muddy thinking is apt to lead straight away to unwise conduct."

"Goods, markets and incomes . . . these things . . . are so common that they do not usually attract our attention. They are like the atmosphere which we only notice very plainly when a hurricane is blowing."

In the *Daily Herald* for March 24th Mr. Frank Hodges elaborates the scheme which he had already advocated "up and down the country" for subsidising the coal industry. The Government was to place at the disposal of the industry the sum of a hundred millions, which would enable coal to be sold at a price £1 per ton below the present cost while maintaining wages at their present level. According to Mr. Hodges many desirable results would follow. Cheaper coal would mean lower prices of other commodities, and as the purchasing power of the community would not be reduced the demand for such commodities would be increased. The unemployed would thus be absorbed, and as they would receive more in wages than they now receive in unemployment grants, general demand would be quickened, trade would become more active, production would be increased and costs and prices therefore reduced. Two further results, it is claimed, would follow: first the tax revenue of the State would be so greatly increased as to wipe out the subsidy, and, secondly, the fall in the cost of living achieved in this miraculous fashion would pave the way to reductions in colliers' wages and so enable the industry to be restored to normal conditions.



How easy seems the problem when dealt with in this airy and optimistic vein! One is reminded of the American farming proposition in which cats were to be fed on rats, and rats on cats, in perpetual rotation and gigantic profits to be secured on an ever-increasing scale by marketing cat skins that cost nothing to produce. Much might be written about the logic of Mr. Hodges' economic scheme, but for the nonce we must content ourselves with asking why, if his argument is sound, the results he anticipates have not been achieved already. For the industry has already been, for a considerable period, in receipt of a subsidy in respect of home-consumed coal. Normal conditions are far more likely to be restored by the abolition of abnormal measures than by their retention. Mr. Hodges refers to the fact that the return to normal conditions would be gradual. What, then, would happen at the end of six months? Would a further subsidy be required? How could the Government, having established the principle, refuse to grant it for a further period to the same industry, or extend it to other industries which were experiencing a loss? Does Mr. Hodges contend that subsidies should be granted to all the important industries? We are reminded of Pitt's notorious sinking fund, which was based upon the false assumption that it was possible to accumulate capital at compound interest while borrowing it at simple interest.

DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry.)

March 1st. The cost of living at March 1st was 141 per cent. above that of July, 1914.

About 70,000 workpeople received increases in their weekly wages amounting to £8,700, and over 1,550,000 sustained decreases amounting to a total of nearly £450,000.

102 trade disputes involved about 28,000 people in unemployment and caused a loss of 378,000 working days. The most important dispute is that of the ship joiners, who have been on strike since December 1st against a proposed reduction of 12s. in their wages. 10,000 workers are involved.

Unemployment in the insured trades rose to 9.5%; the percentage in trade unions was 8.5. Three-quarters of a million were working systematic short time.

Unemployment: It is proposed to make a complete stoppage of all machinery in the Lancashire cotton trade from March 18th to 30th. 500,000 operatives are affected. Only one-quarter of the Welsh tin-plate mills are working. Where approved courses of instruction are available, attendance thereat may now be made a condition for the receipt of unemployment benefit by juveniles.

2nd. French Communists: The President of the Court conducting the trial of the ten French revolutionary labour leaders indicated during the address that the real charge against the accused was their adhesion to the Third International of Moscow, with the object of fomenting revolution for the sole end of establishing the dictatorship of the proletariat.

4th. The text of the Government Bill providing for the decontrol of the coal industry on March 31st was published. Mr. Evan Williams, for the owners, and Mr. Frank Hodges, for the miners, published statements of their respective cases. The owners maintain that to treat the industry as one financial unit involves loss of efficiency. The miners contend that a district basis for wages is unfair to the workers and uneconomic from a national standpoint. In the first place they claim that uniform expenditure of effort should be met with uniform reward, and that so long as the output of a particular coal-mine is considered necessary, the men should be paid according to the effort expended in getting the coal, not according to the coal obtained. In the second place, they contend that

the greater the demand for coal, the greater the necessity for working poor pits. But unless the industry is treated as one unit, the greater the cost of producing coal in the poor pits, the greater the advantage secured out of the public by the rich collieries. Both the Mining Association and the Miners' Federation protest that their negotiations have not been broken off but, given this fundamental difference in outlook, a crisis has been precipitated by the Government's determination to withdraw from the industry.

5th. Coal Situation: A national delegate conference of the Miners' Federation will consider the owners' statement that the demand for a national wage basis cannot be entertained. Sir Adam Nimmo has stated that the British coal trade lost £5,000,000 in January, and Mr. Finlay Gibson, secretary of the Owners' Association for South Wales, says that in that coalfield costs during January exceeded proceeds by £2,000,000, and that the wages alone, which represent 80 per cent. of the total cost, amounted to £97,000 over the total proceeds.

6th. The National Union of Vehicle Workers and the United Vehicle Workers pledged themselves to resist, by whatever means necessary, attempts to reduce wages by 4s. a week. The Railway Clerks' Association in Birmingham raised their subscription from 6d. to 1s. a week in order to be in a better position to meet difficulties that may arise when the railways are decontrolled. Mr. C. T. Cramp, Secretary of the N.U.R., pledged himself to use all his strength to stop every wheel in the country if any attempt is made to reduce the basic rate of wages.

7th. Coal Position: Coalowners of Durham and Northumberland have decided to send out notices to all of their men to terminate their engagements in 14 days. The measure is a legal formality necessitated by the removal of Government control at the end of the month, and does not mean that the owners have any intention of closing their mines.

The statistical summary issued by the Mines Department for January shows a debit balance of £4,887,331 for the month, or 5s. 8½d. per ton disposable commercially.

The Tramway Court of Inquiry recommends that wages shall remain as they are to the end of the year, and that the Industrial Council should consider standardisation in the near future, and the condition of the lower paid grades.

8th. Coal Position: At the passing of the second reading of the Bill to end State control the Secretary of Mines pointed out that the owners had clamoured for the early abrogation of the Act of 1919, and the miners had themselves refused to work the Act.

9th. The Miners' Federation accepted Mr. Robert Smillie's resignation from the position of President.

12th. A "rebel miners' movement" directed against official trade unions is spreading through Scottish mining districts. It is held that the official labour movement is as autocratic and as bankrupt as capitalism itself is said to be, and the "rebels" claim that the only solution is for the miners to join with workers in other industries and take control of the means of production.

The Glasgow section of the new movement in the Amalgamated Engineering Union issued its educational policy. The books and teachers will be supplied by the Scottish Labour College and students will be taught social science subjects for a fee of 2s. 6d. a year. In the rules of the organisation it is stated that industrial unionism is the only form of organisation that will enable the working classes to combat the master classes. The object in view is "to take over the means of production and establish peaceably and triumphantly a Socialist industrial Republic." It is proposed to withdraw from the Amsterdam International and affiliate to the Red International of Moscow.

14th. The N.U.R. are imposing a special levy of sixpence a week to enable them to deal with any crisis that may arise owing to the present position in the country.

16th. The National Federation of Building Trade Operatives ask for a special meeting of the Triple Alliance to consider a combined Labour policy to resist the reduction of wages.

The Parliamentary Committee of the T.U.C. have invited Trade unionists to call sectional conferences of groups in affected districts with a view to determining what policy shall be adopted with regard to wage reductions.

The Federation of British Industries, in urging to the Prime Minister that a general reduction in taxation would encourage greater production, points out that this country is paying dearer for its coal than any other coal-producing country, and is burdened by higher transport charges and higher taxation than any competing country.

18th. Coal Position: The coalowners issue their proposals for the regulation of profits and wages. In brief, their scheme is that there shall be a district rate below which wages shall not fall; that the owners' aggregate profits in each district shall be taken as 17 per cent. of the aggregate wages, and of any surplus remaining the owners shall receive 25 per cent. and the wage-earners 75 per cent.

21st. Standing Committee on Prices and Trusts: The sub-committee on building materials reports that the National

Light Castings Association exerts a monopolistic influence calculated to restrict output, to stereotype the lay-out of the industry and to retard efficiency.

22nd. Coal Position: Scotland, North and South Wales, Nottinghamshire and Lancashire are opposed to acceptance of a district basis for wages.

The Central Wages Board recommends the Ministry of Transport to reduce railwaymen's wages in accordance with the fall in the cost of living by 4s. instead of 5s. as previously proposed. The railwaymen successfully contended that the rise in wages this year had been based on the figure 165, although the index actually stood at 169. Thus the fall must be calculated from that figure and represents a drop of 21 points, which, at 1s. for every five points, calls for a reduction of 4s. in wages.

In the House of Commons Mr. J. H. Thomas introduced a Bill for the nationalisation of railways. The Bill provides that the Ministry of Transport shall take over the railway and canal system, giving to the present stock and shareholders Government railway stock to the estimated value of the undertaking in 1913, less 30 per cent. for depreciation.

23rd. The Government scheme for the employment of 50,000 ex-Service men in the building industry, which has been accepted by the employers, provides that the Government shall contribute 10s. a week per man for the first six months and 5s. per week for the second six months, and that the employers shall contract to employ the men for a period of two years, subject to certain conditions.

25th. Coal position: The miners, by a large majority, refused to enter into any temporary agreement on a district basis. The owners refuse to support the miners in a joint application to the Government to give financial assistance to the industry during the present abnormal period. The owners now propose to open the pits on April 1st for work at wages which the industry can afford.

27th. I.L.P. annual conference opened at Southport. By their attitude towards Walton Newbold, a professed Leninist, and towards Mrs. Snowden (who was nominated for membership of the Executive of the National Party) the delegates showed their determination to keep clear of Moscow.

28th. The National Union of Teachers opened their annual conference at Bridlington. Mr. W. G. Cove was elected Vice-President. The election is important because Mr. Cove, who is a very young man and has only been on the Executive for a little over a year, has achieved prominence as an advanced worker of the Left. He has for some years lectured in economics for the Central Labour College.

I.L.P. Conference : A proposal to affiliate with the Moscow International was rejected by 521 votes to 97.

29th. I.L.P. Conference : The Left Wing, who support the Moscow International, seceded from the I.L.P., and were received into the Communist Party of Great Britain. The number affected is said to be less than 1,000.

30th. Coal position : The miners' leaders instructed the men to cease work at midnight on March 31st, when Government control of the industry ends.

31st. Coal miners on strike, with the exception of some engineers and pampmen who remain on duty in defiance of the Federation's orders rather than risk the injury which would result from the cessation of their work. A "state of emergency" is declared under the Emergency Powers Act, 1920. The export of coal is proclaimed. The N.U.R. and the Transport Workers' Union will hold special delegate meetings on April 5th and 6th to consider whether the Triple Alliance shall take united action. The leaders of both unions regard the crisis as the beginning of an attempt to destroy national negotiations and to reduce wages.

The Shipbuilding Employers' Federation and the Federation of Engineering and Shipbuilding Trades opened a conference at Carlisle to consider the proposed discontinuance of special advances granted during the war.

Errata : In March issue, page 29, line 27, for *approved* read *opposed*.
On page 26, lines 1 and 2, for *four*, read *fourteen*, and for *161* read *151*.

"I.P." STUDY SCHEME.

Paper No. II.

Each question must be answered on a separate sheet of paper.

Candidates must write their name clearly at the head of each sheet of paper. All the sheets should be numbered consecutively and fastened together.

Answers should be as brief as possible, and no single answer must exceed 750 words.

All answers must be received by The Secretary, "I. P." Study Scheme, at 20 Magdalen Street, Oxford, not later than May 30. To facilitate correction, candidates are asked to send in their answers as early as possible.

The first two questions are based on *The Economics of Everyday Life*, the third and fourth on *Social Economics*.

1. Examine carefully the following statements :—(a) Income is the reward of service. (b) The remuneration of a service depends on its value.
2. How far is it true to say that the interests of capital and labour are in conflict with one another?
3. Discuss the attitude of Craft Unions towards either (a) dilution of labour, or (b) payment by results.
4. "A bank is a merchant firm: its merchandise is credit." Consider this statement.

NOTE.—Some candidates have ignored the instruction to use a fresh sheet of paper for each answer. This condition **must** be observed.

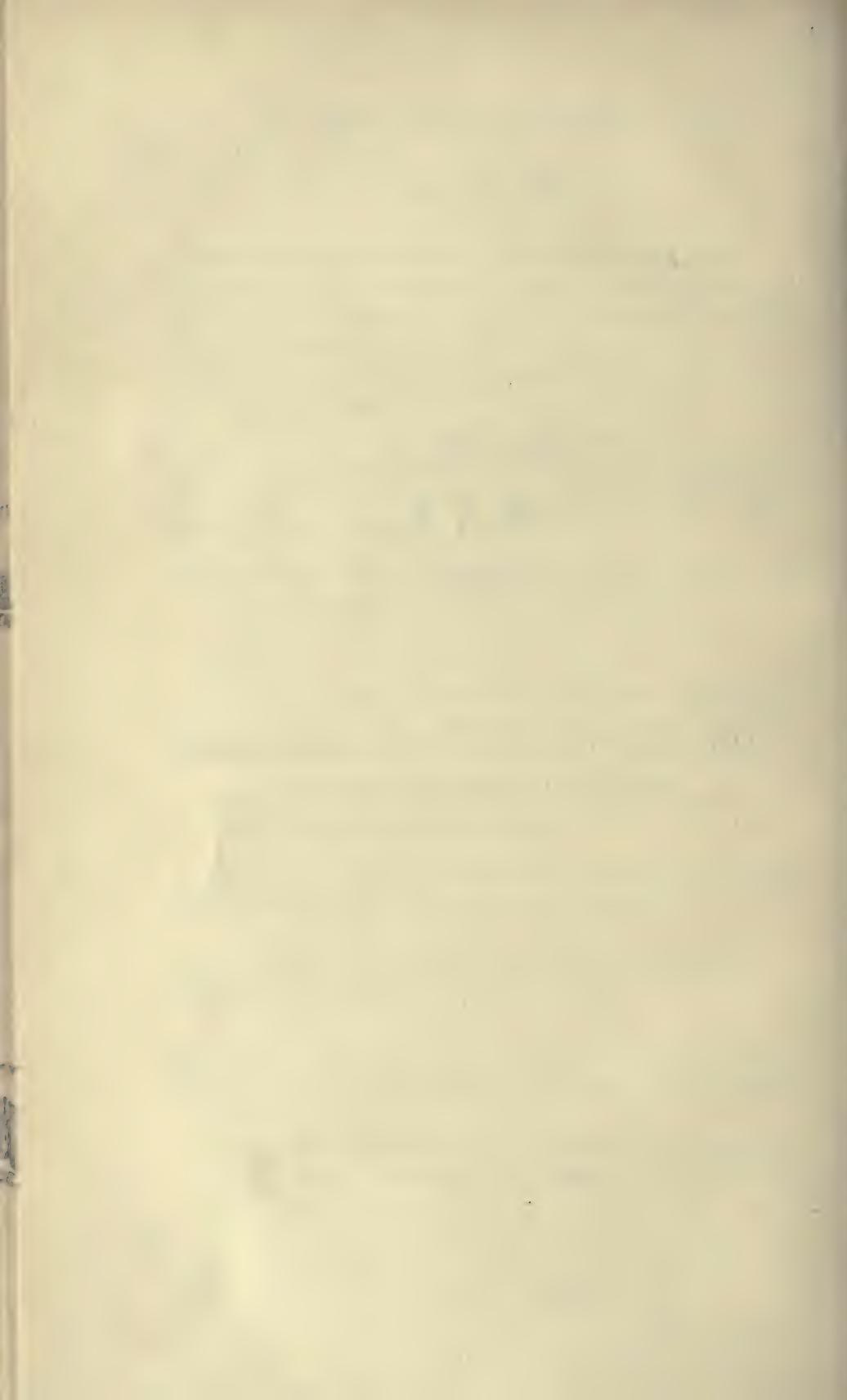
Candidates who do not receive a copy of *Industrial Peace* by the 20th of each month should write to the Secretary for a copy.

No. XLV

M A Y

MCMXXI

"Our danger lies as much in the weakness of good
men as in the malice of the bad."



INDUSTRIAL PEACE

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Food for Thought

Day by Day

"I.P." Study Scheme



INDUSTRIAL PEACE

WAGES.

THE present wages controversy, not only in the coalmining industry but also in engineering and other manufacturing industries, would have been more enlightening, and might have led to more successful results, if the parties concerned had consented to thrash out questions of principle by examining the assumptions underlying the contentions of the two sides.

It will be agreed by all sides that no new industry should be created which does not offer a wage sufficient to provide a reasonable standard of comfort for the worker. The first practical difficulty appears when an attempt is made to determine what constitutes a living wage. It is not a wage of fixed and unvarying amount, but is obviously closely connected with the cost of living. A wage of £2 per week, which before the war would have been regarded as a relatively high wage, would now be called a 'starvation' wage. Nor is a reasonable wage in one occupation determined independently of wages prevailing in other occupations. Rates vary according to skill, risk and other circumstances, but only within fairly narrow limits which, in many of the crafts, such as skilled engineering, wood-working, etc., have become sharply defined. The history of the 12½ per cent. bonus granted in 1917, illustrates the insistence of craftsmen in different trades upon the maintenance of the traditional relationship between their wages. The bonus, having been provided for engineers and moulders, had to be extended to all skilled workers employed on time-work, and finally to unskilled labourers. During recent weeks the engineers have opposed reductions partly on the ground that they are not shared by workers generally.

The second practical difficulty appears when an attempt is made to apply the principle of a living wage in an industry which has been in existence for some time and in which either wages have not kept pace with wages in other occupations (and have thus become 'sweated' wages) or the wages paid under normal conditions and regarded as satisfactory cannot be maintained on account of temporary depression of trade. The Trade Boards established before the war in certain

sweated industries found themselves confronted with the difficulty that a living wage was a higher wage than the industries could bear. The immediate payment of a 'reasonable' wage might have meant a considerable reduction in the volume of employment. The boards were compelled to proceed slowly and cautiously in the interests of the workers themselves, for the growth of the industries had been fostered by the low prices following upon low wages, low costs and keen competition. Recently the mine-owners submitted a wages proposal involving, in most cases, considerable reductions upon the rates prevailing in March. The latter were no longer 'economic'; the industry could not continue to pay in wages more than it received as income from sales.

In this case we are faced with a different conception of wages. Wages represent payment for service rendered, the value of the service being determined by the value of the product. If a living wage is not an economic wage, that is a wage which the industry can bear, the worker must be content with less, not because the employer desires to exploit the worker (he too is a victim) but for the simple reason that the money necessary for the payment of a living wage cannot be found. Two questions will naturally suggest themselves at this stage. First, what is meant by industry? We are accustomed to regard each industrial establishment as an economic entity, which must earn its own living. The owner of such an establishment would even insist upon the separate departments paying their way, and would probably close a department which proved permanently unprofitable. As the system of cost accounting improves it may be expected that even stricter application will be made of the principle of doing no work which involves loss. The second question is, what determines the value of the product, and therefore the service of the worker? Clearly, by reducing the amount of the product on the market the value per unit is increased. The mine-owners, in their proposals for reductions of wages, apparently contemplated the employment of approximately the same number of workers as in March. If, however, a smaller number were employed the supply of coal would fall and prices rise; the value of the service rendered by those remaining in employment would be raised and a higher wage made possible *for that number*. If, therefore, the owners had accepted the miners' counter-proposal for a reduction of only 2s. per shift, a number of the most unprofitable collieries would

be closed for the time being, and, through the rise in the price of coal, the wages of those workers employed at the collieries which continued to work would be 'economic.' The subsidy offered by the Government might have been utilised to provide unemployment benefit for those who were thrown out of employment, and the industry as a whole would have received the same treatment as other industries. But the miners' leaders wish to abolish the practice of regarding each mine as a separate entity for the purpose of determining what wages an industry can bear, and are pressing for the consideration of the industry as a whole as one unit, thus reversing the tendency towards closer supervision of cost accounts, and introducing a new interpretation of wages as payment for services rendered.

It is important that the principles or fundamental assumptions which have been described should not be forgotten in any discussion of the policy to be pursued in the future. During the war and for some time afterwards labour was scarce and organised labour appeared to possess considerable economic power. Whether this was less real than apparent need not here be considered in detail. It is sufficient to state that machinery was established for the control of wages, which, by means of such machinery, were advanced from time to time, in accordance with the rise in the cost of living. It is now frequently suggested that they should still be similarly controlled, and that the amounts of reductions should be determined by the extent to which the cost of living has fallen and may fall. But the mechanical simplicity of the last few years may no longer be possible.

There are broadly two types of industries, those which are immediately and seriously affected by commercial fluctuations, and those which are essentially more stable and provide steadier employment. In the latter, such as railway transport, gas undertakings, etc., and in public services such as education, police, etc., it may be comparatively easy to regulate wages by the index number of the cost of living during the next two or three years. If we were an isolated and self-supporting community it might not be difficult to apply the same principle even in manufacturing industry, which would be rendered more stable by the stabilisation of wages. But the fortunes of the mining and standardised manufacturing industries, together with the more varied ancillary trades, are largely dependant upon economic con-

ditions abroad, where a large part of their market lies. At the present time the foreign markets have been considerably reduced. If those which have been lost are not recovered we shall be less able to pay for our purchases abroad, our exchanges will be adversely affected, and the fall in imports combined with the increase in cost due to adverse exchanges will mean a rise in prices. As our imports are mainly necessities of life and raw materials, the cost of living will also be adversely affected and the area of employment reduced. Such is the present difficulty. Insistence upon a wage determined solely by the cost of living will accentuate the depression in the industry concerned, intensify unemployment in other industries, and retard the fall in the cost of living. The acceptance of apparently disproportionate reductions in wages, by reducing costs, may (though it does not necessarily follow that it will) result in an increase in foreign demand, which in turn will tend to increase and cheapen imports and so help to secure a further reduction in the cost of living.

What, therefore, we seem to require is a more elastic wage based in some industries upon a sliding scale similar to that which has been applied with great success in the iron and steel trades; in other industries upon specific output or output value, and in those to which neither of these methods is applicable, upon some system of profit sharing. It would be futile to seek one system applicable to all types of industries. The regulation of wages by the cost of living irrespective of other considerations might defeat its own purpose—which is to secure a decent standard of comfort. Wages are a factor determining the cost of living, directly by the fact that they are the main factor in the cost of production, and indirectly through their effect upon the foreign market, and the amount and value of the imports. It is impossible to say that one amount shall be determined solely by a second amount which is in itself a function of the first. But if simple manipulation of this kind is impossible, it is not impossible to fix irreducible minima and to discover schemes providing the necessary elasticity and securing that the workers shall share in the prosperity of the industry in which they are employed. Pending the establishment of such schemes there seems to be no alternative to the method by which the wages of railwaymen are controlled (namely, the regulation of wages in accordance with the cost of living) and the acceptance of its probable consequences, the further restriction of the area of profitable employment and the growth of unemployment.

THE FACTS OF THE CASE IN DIAGRAM, XIII.

No matter what views we may hold as to the ethics, politics or economics of the disastrous dispute which has brought the coalmining industry to a standstill, it is impossible to deny or ignore the fact that on the 31st March the miners were placed in a position which they could only consider as desperate. On the one hand there was the prospect of a cessation of work with its concurrent privations, on the other they were confronted with a wage reduction, unprecedented in its severity and suddenness, which, for a time at any rate, must mean the loss of nearly all they had gained since 1914. The position was not really so bad as it has been made to look, but it was bad enough in all conscience, and it would have been nothing short of a miracle if the men had submitted without a struggle when the stake was so large and the jeopardy of their standard of living so imminent.

During the negotiations which took place before the crisis developed, the principle was accepted by both sides that wages must be regulated by the ability of the industry to pay them, and the crash followed immediately upon the announcement by the owners of the rates of wages which they estimated the industry could bear under the conditions that would prevail from the 1st April onwards.

Since then the offer of ten million pounds by the Government to assist the industry in its darkest hour, and other factors with which we are not here concerned, have operated in the direction of mitigating the hardships which the economic position has thrust upon the miners, but these expedients, whether accepted or rejected, do not alter the basic question with which the whole country is faced, nor solve the problem of how to maintain rates of wages to which the workers have become accustomed at a time of trade depression such as is now being experienced, not only in Britain but all over the world.

The fact that the mine-owners, without assistance from the taxpayer, cannot find the money to pay the miners more than, in some cases, fifty to sixty per cent. of their former wages is a specific symptom of a widespread malady and compels attention to the larger issue as to the capacity of the country to pay wages on a scale sufficient to raise the bulk of the nation above the poverty line.

In the *Labour Gazette* for April, 1921, we are given a fairly complete analysis of production, trade and employment in the principal industries of the United Kingdom. The facts and figures there disclosed demonstrate very clearly that the main reservoir from which all wages must ultimately be drawn is now reduced to less than half its normal volume.

How is this deficiency being met at the present time? Have the wages of those who are still at work been correspondingly reduced, or, if not, who is paying the difference? The answer is that this deficiency is not being met, in the main, by wage reductions. In some cases money wages for work done (or hours worked) have suffered a reduction of from ten to twenty per cent., whilst in others there has been no reduction at all. The balance of the deficiency must be measured in terms partly of unemployment and partly in terms of contributions from the taxpayers.

It is not possible to estimate accurately the percentage of normal wage-earners who are not working. Actual returns show 11 per cent. unemployed, and if we add to this figure the numbers who are working only half-time and make some allowance for the unemployed who are not registered, we shall not be exaggerating the facts in estimating that fifteen per cent. of those ordinarily engaged in productive work are now idle. Roughly fifteen in every hundred normal wage-earners have withdrawn their contribution to production and are compulsorily existing on a reduced wage paid in the form of unemployment benefit, and drawn, in the form of taxation, from the reduced product of the rest of the nation.

The industry of this country consists for the greater part in working up raw materials and exchanging them abroad either for foodstuffs or for the raw materials on which our staple industries depend. The nation lives, that is to say, mainly on the profit we derive from serving other nations. In the diagrams which we print this month we have therefore confined ourselves to depicting the amount of our principal exports and imports for the month of March in 1913 and in 1921 (exclusive of food-stuffs). The total export of any industry in March 1913, is represented by 100 squares, and the amount exported in March 1921, is represented by a corresponding number of squares calculated on a similar basis. The figures for March 1921, therefore, show that month's export trade as a percentage of the trade normally done before the war. Thus, in March 1913, we exported 5,831,324

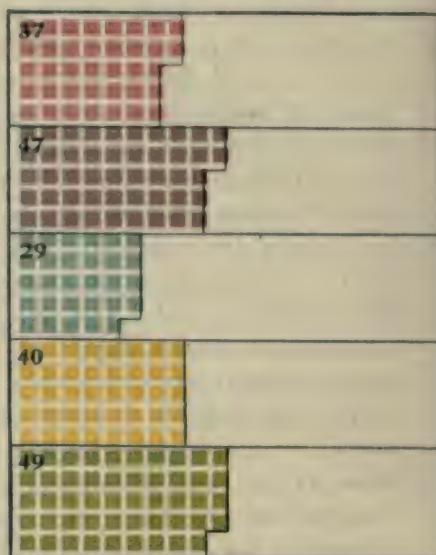
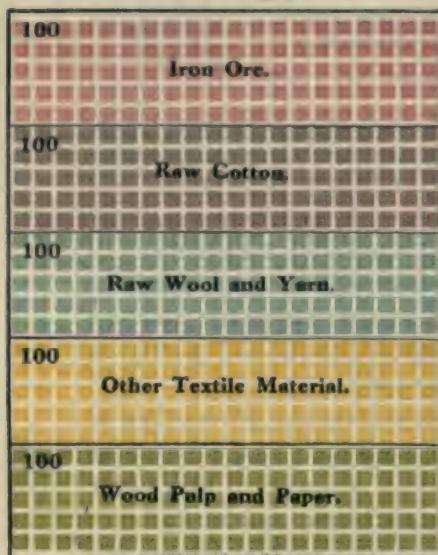
DIAGRAM No. 23

(Note.—The figures in this diagram refer to the number of squares in each group.)

PRINCIPAL IMPORTS [Raw Material.]

March, 1913.

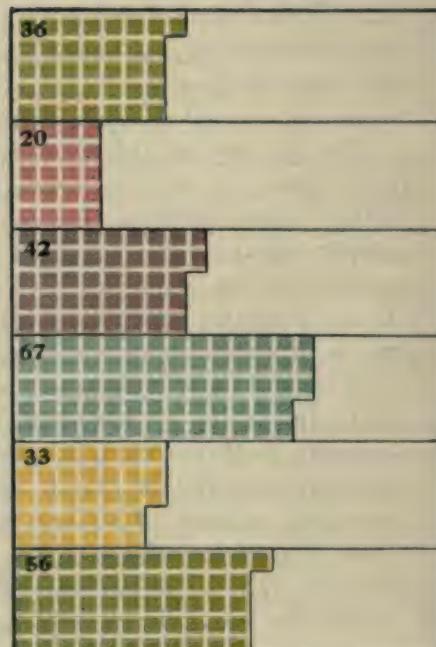
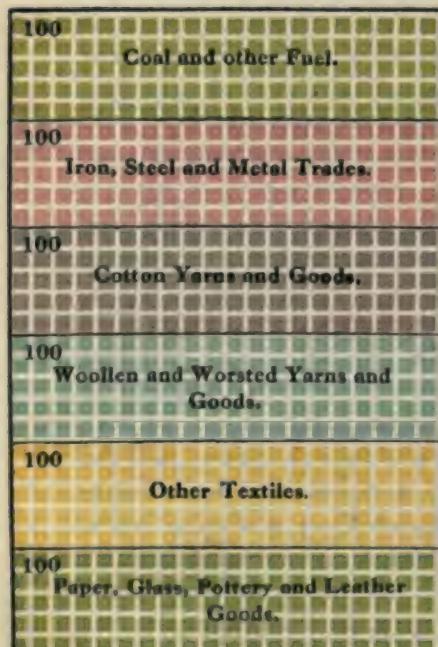
March, 1921.



PRINCIPAL EXPORTS.

March, 1913.

March, 1921.



**COMPARATIVE IMPORTS & EXPORTS,
MARCH, 1913—21.**

tons of coal. In March, 1921, we exported only 2,110,425 tons—roughly 36 per cent. Each of the exporting and importing industries have been treated in the same way. If we add the separate figures together we see that during the month under consideration our exports in the particular groups taken were equivalent to 42 per cent. of our normal trade in 1913, and our imports totalled 40 per cent.

It is obvious that if we are importing only about 10 per cent. of such things as iron ore and raw cotton, and only exporting the same relative amount of iron and steel and cotton goods, the work put into the industries and the wealth derived from the trades must be proportionately less, and the wages as a whole must be restricted by the size of the stream of wealth from which they are derived.

The figures given by the Ministry of Labour dealing with production and unemployment during March, 1921, show that the industries charted in our diagrams, and which depend mainly upon the importation of raw materials or the exportation of their finished products, are not more adversely affected than the rest of industry and may be taken, therefore, as indicative of the state of industry throughout the country. Thus the total production of steel ingots and castings in March, 1920, was 840,000 tons. In March, 1921, only 357,600 tons—42.5 per cent.—were produced. Railway statistics for February show a decrease of 19 per cent. in that month compared with the corresponding period in 1920. In the engineering trades 14.05 per cent. of the male workers were unemployed; in the shipbuilding trades 19.22 per cent. In the bleaching, printing and dyeing trades, and in the shirt and collar, hosiery, lace, silk and tailoring trades from fifty to eighty per cent. of the workpeople were on short time.

THE ECONOMICS OF WELFARE.*

THE practical man is apt to feel as he turns over the pages of a systematic treatise on economics that the author is so impeded by his method that he is not likely to arrive at any useful conclusions. Definitions have to be established, distinctions have to be drawn, qualifications have to be insisted upon; until the economist seems to be so entangled in the meshes of his own net that he is incapable of making any progress. Consequently, the practical man closes the book with the conviction that it contains nothing of use to him and a vague impression that the mental gymnastics are intended as a discipline for students who are preparing for examinations in the subject. If he feels inclined, at first glance, to class Professor Pigou's latest book with such treatises he will do it a serious injustice. It is true that it is a long book and in parts, as the author admits, the argument is difficult; but it does set out to deal with 'the actual world of men and women as they are found by experience to be.' No business man could read a chapter without coming across a number of statements which appeal to his own experience. That these facts should take their place in an ordered economic enquiry contributes to an interpretation of their value in relation to the whole. Mere empirical statements are barren. Pure theory has no practical value. Professor Pigou does set himself to build a bridge between the two.

The task of unifying economic phenomena is a prodigious one. Up to the present, our author confesses, Economic Science has not discovered general laws which may be applied to particular problems so as to yield definite or quantitative results. This failure is due to the extraordinary complexity of the subject. In the present volume the underlying idea is that of 'welfare,' that is, it is essentially a social enquiry. It is remarkable to what extent the idea lends coherence to the various aspects of the discussion.

Special reference may be made to sections of the book in which questions of immediate interest are considered. The author has elsewhere made original contributions to the theory of monopoly. It is therefore interesting to turn to the

* *The Economics of Welfare.* By A. C. PIGOU, M.A., Professor of Political Economy in the University of Cambridge. (Macmillan & Co., Ltd., 1920). Pp. 976. 36/- net.

practical conclusions he draws on the vexed question of private as against public operation of industries. He holds that where industries are normally conducted under conditions of simple competition private enterprise is likely to be more efficient. Where, however, any element of monopoly is present this general rule may require to be modified. A case for public control or public operation emerges. A system of 'monopolistic competition,' as, for instance, that of the British railways before the war, is peculiarly wasteful (page 355). In Part Three (which deals with the *National Dividend and Labour*) there are a number of issues raised which deserve notice. Beginning with the plain statement that when labour and equipment in any industry are rendered idle by a strike or lock-out the national dividend suffers, Professor Pigou attempts to reduce the causes of such stoppages to a number of categories. He also explores the different methods of conciliation and mediation which have been adopted. The weight of his argument is in favour of the development of 'peace-promoting machinery' within separate industries. Outside intervention is to be deprecated if it tends to prevent such development. As to compulsory arbitration the author contends that its merits cannot be considered apart from the prevailing sentiment on the subject. It is not now practical politics in any department of industry in the United Kingdom (page 400). The paramount importance of a mutual understanding within the industry is also stressed in the discussion of methods of remuneration. Piece-wages, it is argued, make it much easier to adjust payment to output, but they are not likely to be accepted generally until the workpeople are convinced that they are fair. The suspicion that the employers will resort to cutting the rates will rob the system of its merits, even when it is adopted, unless it is subordinated to the full control of collective bargaining.

Many will turn with interest to the chapter which deals with unemployment and short time. Possibly the practical man will be irritated by the nice balance which the author maintains. He will be inclined to protest that the fact that the employer's oncosts are not proportionally reduced by short time is not given enough weight. For the workman the alternative between accepting a lowering of his standard and of seeking work elsewhere or of entering some new occupation often presents a cruel dilemma. But this problem should be studied in conjunction with what Professor Pigou has to say about trade depression in the last division of the book. There he argues that it is quite feasible to lessen what he calls the

variability of industrial activity by state and other action. This would prevent a certain amount of unemployment from arising at all. It is indeed significant that, while he does not discuss the question of 'state interference' as a special problem, the author here and elsewhere contends that it can be effective. For instance, he insists that interference to raise wages can be made operative and approves of the policy of establishing Trade Boards to that end.

The hundred pages devoted to the examination of the relation between the national dividend and public finance constitute what in many ways is the most readable part of the book. Obviously if taxation is to be so imposed that the expectation of it is to have no adverse effect on the national dividend the case for the multiplication of 'windfall' items is desirable. It is therefore necessary to discover receipts which play no part in evoking economic effort. Until recent times such taxation was practically unknown. The idea—somewhat obscured by other considerations—was behind the most contentious proposals of the Budget of 1909. But the attempt to levy a duty on the increments of land value has proved unfortunate, though Sir Josiah Stamp has lately declared that the failure in fact was much greater than the duties deserved in theory. Professor Pigou himself concludes that from the point of view of the national dividend such taxes are to be commended. The war provided an example of a tax based on the same general principle—the Excess Profits Duty—which in the special circumstances proved to be remarkably lucrative. Applying the conception of maintenance or increase of the national dividend to the income tax, the author favours the exemption of savings. This idea can be traced back to Newmarch and Mill; it is one of the principles which it is peculiarly difficult to convert into practice. Finally, Professor Pigou summarises the discussion of the feasibility of a special levy on capital to make a substantial reduction of the war debt and decides in favour of that expedient.

Within the compass of a short review it is only possible to indicate the scope and some of the conclusions of a book of this size. It may seem, therefore, paradoxical to complain of omissions. But it is in no carping spirit that we notice that international considerations are not fully taken into account. Many readers, too, would have welcomed the inclusion of some discussion of joint control as a development of the section on conciliation and arbitration. Local finance, it may also be submitted, affects the national dividend, but there is no treatment of that subject.

THE BLUE BOOK WORM, II.

1. *Report on Pipes and Castings.* (Central Profit-sharing Committee.)
Command Paper, 1217, 1921. 1d. net.
2. *Report on Yeast.* (Central Profit-sharing Committee.)
Cmd. 1216, 1921. 2d. net.
3. *Correspondence between the Minister of Transport and the North British Railway.* Cmd. 1162, 1921. 2d. net.
4. *Report of the Imperial Customs Conference held at the Board of Trade, 28th Feb.-17th Mar., 1921.*
Cmd. 1231, 1921. 2d. net.
5. *Constitutional Reform in Burma.* (In continuation of Cmd. 746)
, Cmd. 1194, 1921. 2d. net.

The London County Council recently called for tenders for the pipes and castings needed in the erection of the North Woolwich pumping station. Several tenders were received, but the amounts named therein were identical. The matter having been raised by a question in the House of Commons, the Standing Committee on Trusts set up a sub-committee, the report of which (Cmd. 1217) shows that a sort of trust exists, the Cast Iron Pipe Association, that the trade is in some danger of becoming extinct from lack of labour, that foreign competition is severe, and profits not unreasonable. On the other hand, public authorities, which are perhaps the chief users of pipes, are more or less at the mercy of the Association.

If bread is the staff of life, the yeast trade must be the key industry *par excellence*. The outstanding feature of Cmd. 1216 is the grip of the distillers, who produce yeast, over the wholesale distributors, and the grip of the wholesalers over the retailers. The corrective force in this trade is foreign import. But the report suggests that, if a trade is strongly organised and especially in those sections of it which, when foreign imports take place, are the actual importers, foreign imports may never get in on such a scale as to affect home prices.

At the beginning of this year the Minister of Transport withheld one million pounds from moneys claimed from him by the railways, on the ground that the claims were too large to be paid without inquiry and justification. The N.B.R., after an interchange of trenchant letters, took the matter before the Railway and Canal Commissioners, and obtained judgment against the Minister, who has appealed. The case will come up in Edinburgh shortly. The contentions of the

Ministry are indicated in the letter of the 8th February, 1921 (Cmd. 1162). This controversy, following on the publication of that most formidable document the Colwyn Report on the Railway Agreements, proves very cogently the need for a Ministry of Transport.

Cmd. 1231 originated in a request made by the Government of the Union of South Africa to the Colonial Office that a special conference should be called of representatives of the Customs departments of the United Kingdom, the Dominions and other parts of the Empire "to endeavour to secure uniformity in the various certificates required by those Customs departments, and so far as circumstances rendered possible, to reach a common basis in interpreting particulars required from exporters in respect of the value of goods for the purpose of *ad valorem* duties and the conditions under which Preference tariff rates are levied."

The very detailed discussions of the Conference are of great interest for those engaged in foreign trade. They illustrate one phase of politics, the bureaucratic and administrative: and Appendix C. contemplates, not unnaturally perhaps, an expansion of bureaucracy by the appointment of a Service of Official Customs Investigating Officers. Section IX of the Report deals with the standardising of the regulations regarding the bringing in of travellers' samples.

A very different outlook on politics is to be found in Cmd. 1194. There you have the Secretary for India, the Government of India, the Government of Burma, the House of Lords all on the switchboard together discussing in syncopated but still eloquent telegraphese the extension to Burma of the Dyarchic Scheme of Reform which India has been given. Nothing could be vivid. You can hear Mr. Montagu's voice and see him swing his arms and bend forward to say: "No, it must be Dyarchy, the Morley-Minto halfway-house failed in India and would only infuriate the Burmans." "Have it your own way then," says the Government of India, "but don't blame us, and don't waste time." And Burma is sending delegates, official and non-official, to tell the Houses of Parliament, face to face, the wishes of Burma, and in particular to see that "the Governor-General of India and Burma" shall be the Viceroy's new title. For just as the Scot prefers "Britain" to "England," so Burma refuses to be included in "India." Cmd. 1194 is "potted politics," potted by some brilliant accident, and instructive and interesting out of all proportion to its length and price.

THE INDEMNITY PROBLEM.—I.

DURING the Parliamentary election of 1918, when attention was concentrated upon the money cost of the war and the difficulty of escaping a crushing burden of taxation, the majority of people appeared to be comforted by the prospect of a substantial indemnity, the proceeds of which would be devoted to the reduction of the war debt and, consequently, to the relief of taxation. Since that time they have been educated to the truth that, in the last resort, an indemnity is paid not in cash or paper, but in goods. And as the negotiations with Germany have taken place during a period of acute trade depression they are now apprehensive lest an indemnity may prove a curse rather than a blessing. There is little doubt that the events of the last few months have made more converts to the views of Mr Norman Angell on the subject than all the latter's persuasive writings and speeches.

The case for an indemnity may be briefly stated in economic terms. France and, to a less extent, Belgium, suffered heavy loss of material capital through the devastation of the region in which fighting took place. The allied States, moreover, incurred heavy obligations abroad, which compelled them to sell foreign investments and to borrow large sums of money from the United States and other countries. In comparison with Germany, who was unable to draw to anything like the same extent upon the resources of the world, they thus restart in the economic race severely handicapped. An indemnity payment by Germany will mean that that country will shoulder part of those foreign obligations, and the cost of restoring the devastated areas. It will tend to equalise the position of the Allied States and Germany *vis-à-vis* the rest of the world. If it be granted that Germany should pay as much as she is likely to be able to pay, the following questions naturally arise. How should the indemnity be measured? How much is Germany able to pay? What should be the form of payment? What effect is such a payment likely to produce upon the trade development of the receiving countries?

Two distinct proposals have been considered, and, at different times, proposed. One provided for annual payments of specified sums spread over a long period of years; the other for annual payments of specified sums for a short period of

years, the remainder to be determined at a later date, when the capacity of Germany to pay would be more accurately measurable. Space will not permit a close comparison of the two schemes. But it should be observed that in each case the specified sums were measured in gold bonds, and that in many quarters the first proposal is preferred on the ground that the real burden of the indemnity upon Germany and the benefit to the recipients is clear and definite, and therefore a known and constant factor in the calculations of all concerned. An indemnity measured in marks, it is said, would be variable, on account of the value of the mark both in Germany itself and in foreign countries. It would provide a direct and obvious incentive to issue paper marks in vast quantities, thus reducing their value in goods, i.e., the amount of goods which would constitute the indemnity payment. But the case is not so simple as would appear. Gold itself (and therefore gold bonds) fluctuates in value. Its value has fallen enormously since 1914, and a gold bond of £100 is probably not greater in value to-day than a gold bond of £50 before the war. The fall in the value of gold (which is measured by its purchasing power in the United States or some other country where paper money is still convertible into gold) is due to the disappearance of gold from the currency of most European States and the concentration of most of the supply upon a few States. It will recover its value if and when countries like ourselves and Germany return to a gold standard. But the obligation to pay an indemnity in gold bonds will provide an incentive to Germany to maintain the value of such bonds (in terms of goods) as low as possible, i.e., it may induce Germany not to return to a gold standard as soon as she would otherwise be prepared to do. In any case, an indemnity measured by a specified sum in "gold bonds" is a fluctuating indemnity (measured in goods), not one of fixed amount: and an indemnity (measured in gold bonds) of a given amount which to-day seems well within the capacity of Germany to pay might prove to be, twenty years hence, a far greater or far smaller burden than was expected or intended.

The ultimate capacity to pay depends upon a number of factors, the two most fundamental being, first, the natural resources of the country, and secondly, the numbers and quality of the people together with the strength of the incentive to pay off the indemnity. Voluntary co-operation is vastly more important and effective than coercive sanction. An indemnity payment is represented by an excess of total exports over

total imports. The statement is not rendered less true by the fact that payment takes the form, in some cases, of the export of specific goods, such as coal to France, or is called reparation. If, apart from such export of coal (or any other commodity received as reparation by France or some other State), the imports of Germany are continuously greater than her exports, the balance would be paid for by floating a loan abroad. The net effect would thus be that the loan would represent, to that extent, the indemnity payment by Germany; and the coal would fall into the same general category as other goods exported in the course of trade. Before the war Germany was estimated to invest abroad about £60,000,000 net per annum; that is, her exports exceeded her imports by that amount, which represents a sum which could have been paid as indemnity without serious injury to the nation as a whole. The amount could have been considerably increased (assuming foreign markets for the goods to have been available), if the labour force employed before the war in the manufacture of armaments and in providing military and naval establishments had been utilised in the production of exportable goods required by other nations. And this could have been done without in any way affecting the standard of comfort of the German people. But it should be observed that the Germany which would be able to make such large payments is the Empire as it existed before the war. The capacity of the new Germany to make indemnity payments is reduced more than proportionately to the reduction in territory effected by the peace treaty. Moreover, since, considered internally, the payment of an indemnity involves heavy taxation, it is possible that the limit of taxable capacity will be reached before the limit of indemnity payment in goods is reached by the State considered as a whole. Many efforts have been made to compare the present relative burdens of taxation in France, Germany and this country. Most of these are worthless, being made to prove a case by confounding internal and external values of the respective currencies; all that we have seen are further defective in that they pay no regard to differences in the methods of taxation. Great Britain is a unitary State, and all the money required for carrying on the war has been or is being found by means of national loans and taxes. Germany is a federation of States, each of which imposes taxation of its own, and bears, to a certain extent, the cost of maintaining its own army. Imperial

taxation is imposed for imperial purposes. Any fair comparison of the burdens of taxation in the different countries would take into consideration separate state as well as imperial taxes. In the case of each country, too, the tax revenue required would be reckoned by the internal value of the nation's currency (e.g., marks) and compared with the total income of the nation measured in terms of the same currency. We do not pretend to know the relative burdens in the various countries concerned, but we do know that unless these factors are taken into account no comparison that may be made will carry conviction. It is likely, however, that the burden of taxation in Germany will not be appreciably less than in France or Great Britain. If there be added a further heavy burden due to the necessity for the payment of a large indemnity it is conceivable that the nation will be crushed beneath the weight of taxation, in which case the Germans will seek the easiest means of escape, risky though it may be, and further inflate their own currency, thus further reducing the value of the mark and lessening the burden of their internal obligations which, being in terms of marks, are practically constant. In this connection reference may be made to a common error in recent writings about the indemnity. The enormous profits which are now being made in Germany by wealthy capitalists such as Stinnes are constantly being quoted as evidence of Germany's ability to pay. But they admit of no such construction. Such profits are made in marks, mainly through profitable internal trade, and may be made in the most seriously disorganised and most poverty-stricken States. They merely constitute evidence of the depreciation of the German mark. It would be equally correct—or incorrect—to argue that because Russian traders are able to make profits in roubles which, judged by the pre-war rouble, would be beyond the dreams of avarice, Russia is in a position to make correspondingly large indemnity payments in gold bonds.

We have enumerated the factors which require consideration in estimating Germany's ability to pay. It may be assumed that they were present in the minds of the "experts" when the amount of the indemnity, in gold bonds, was fixed. We shall next consider whether a substantial payment can be made without injury to our own trade, and if so, how such payment should be exacted.

(To be concluded).

THE BUSINESS MAN'S VIEW. VII.

(These articles consist of a series of extracts from the reports of Company Meetings, grouped to give the reader an opportunity of studying the effects of the many conflicting currents that go to make or mar commercial enterprise. Though these reports, giving as they do only the managers' point of view, cannot be considered to cover the whole field, they may, nevertheless, provide a valuable commentary on a good many aspects of the question as to the ways and means by which the nation does, in fact, secure its livelihood.)

The Trust Movement.

In our March issue the writer of an article on the problem of trusts pleaded for a continuation of the work done by the Standing Committees on Trusts and on Prices. He justly argued that trusts in themselves were neither good nor bad but, like most powerful combines, might be used for good or ill according to the aims which their promoters sought and the external restrictions placed upon the exercise of their powers. "The foundation of a policy regarding trusts and trade combinations must, he therefore concluded, "be laid in a knowledge of what trusts are doing."

Early in February the Standing Committee on Trusts reported that in their view Messrs. Lever Brothers Limited virtually control the retail prices of soap in this country, and that the then costs of production warranted a reduction of between one penny and twopence per pound in the finished article. The annual report of the working of this company, published at the end of April, taken in conjunction with the finding of the Committee, gives us an opportunity of following up at least one example of the uses of trusts and of committees on trusts.

Since February the price of soap has dropped from one penny to twopence per pound. It is not our purpose here to discover whether the fall in price was the result of the Committee's report, or whether it would have occurred in the ordinary course of events without the stimulus of publicity. The fact to be recorded is that, at a given moment, an industrial combine, owing to the virtual monopoly they hold, were able to market soap at a price higher than their actual costs warranted, or appeared to warrant. A committee of

impartial men investigated the affairs of the trust and gave publicity to the facts, and presumably the findings of such a body will always be enforced by public opinion which, properly informed, is generally strong enough to resist any combination, whether of labour or of capital.

But the possible evils of monopoly are by no means limited to price restrictions. Monopoly of an industry within a country which is protected by tariffs or bounties from outside competition, may result in general slackness within the industry and impose upon the community acceptance of an inferior article at a high price. Such a state of things was apprehended by the textile industry when there was every appearance that the dye industry was to be run in this country by a single combine enjoying protection as a key industry. Complete elimination of competition—which, in fact, is rarely possible—is invariably bad. It is obviously impossible for any committee to detect the loss or hardship which might be imposed upon the community by such a combine. But, to confine ourselves to the particular type illustrated by our example, it is fair to assume that such trusts have, within certain limits, the power to fix prices and that, like individual dealers, they are under the temptation to exact all that they can from the consumer. The necessity for machinery to protect the public against the possibility of being taken advantage of is then justified by the existence of the combine.

But is the existence of the combine justified? Does it offer sufficient compensation for the risks it entails? The Amalgamated Cotton Mills Trust, Limited, claims to control sixty-two mills "whose ramifications reach all corners of the world, and whose trade marks and reputations have an unrivalled standing." This company controls a capital of close on eight millions sterling, and one of the chief advantages emphasised by Lord Fairfax in addressing the shareholders, was the efficiency with which such capital can be handled when the interests of the holders are pooled and directed by well-informed management, instead of competing one against the other for an undetermined share in a limited market. "Every request from our companies for additional capital is carefully considered by the advisory committee who report the merits of the case to the directors, and it is the policy of this company to only advance money where they are assured of a fair economic return, and in all cases up to date this has

proved highly satisfactory." The waste of capital (and, therefore, of the use of the product of labour) due to unscientific finance and to ill-informed efforts to supply an already overstocked market is one of the most unsatisfactory features of modern competitive industry. Whatever the trust may do to eliminate such waste is a gain to the community.

Lord Leverhulme, addressing his shareholders last month, claimed that his company had acquired its vast trade and reputation in the past under absolutely free trade conditions. He instanced the fact that in a recent enemy country Sunlight Soap was in enormous demand at a price higher than can be commanded by any other soap in that country. Pre-eminence had been achieved there, as elsewhere, by the two factors open to all competitors, advertisement and a high standard of production. "If any foreign or home competitor can produce soap better in quality or lower in price than we can produce soap, such competitor is entitled to the trade and the consumer is entitled to the better service offered."

It would be folly for the consuming public to cavil at success achieved by such methods as these. But, again, there is a danger that the degree of power thus obtained may be used illegitimately to squeeze out unwelcome competitors. A good product, for example, may be forced off the market by a powerful combine able to impose its own conditions of sale upon the retailer. Various devices of this kind have been resorted to in the past, and if we are to enjoy the advantages of the best products of modern industry at the most economic price, here again we need rather the offices of a Standing Committee than the abolition of the trust.

But it is not only the consumer whose interests are involved in the Trust Problem. The worker's lot is to some extent at stake. If trusts exert a stabilising effect on industry they already confer a boon on labour. For it is an error to suppose that misguided enterprise results in loss to the capitalist alone. Misguided enterprise means wasted labour and disorganisation which to some extent impoverish the whole country. If we examine the conditions of labour afforded by Lever Brothers—apart from the general question of regular employment—we shall have to admit that the conditions of monopoly allow of more generous and spacious treatment than is generally possible to the small employer, and that because a generous policy appeals to enlightened employers as being good business, the presumption is that labour as a

whole will reap benefit from the scientific handling of production that must accompany the well-regulated trust.

It would be wrong to say that the best conditions are only obtainable under trusts, but it is fair to suppose that in a densely populated and highly organised State, the risks of wrong production and of unemployment are reduced when the public is served by a well-informed and well-organised unit. The Trust that arises from the energy and skill of individual enterprise unaided by the State may be a source of great wealth and welfare. It is true that where there is power there is always the possibility of abuse. But we do not judge things alone by their defects; we judge them by their merits and do what we can to counter their evils. Farmers do not kill their bulls in case they should get out of hand. They put a ring through the bull calf's nose. And our aim should be to control and direct power, not to destroy it.

The actual figures given by Lord Leverhulme relating to wages and dividends in 1914 and 1920 are interesting. For the twelve months ended June 30, 1914, the weekly wage bill averaged £6,167. For the twelve months ended December 31, 1920, it averaged £26,914. In addition the employees received in 1920 £276,854 in co-partnership dividends as compared with £39,418 in the year ended December, 1913. The wages averaged over 250 per cent. increase to the workers at the weekly wage rate, but owing to the large amount of overtime worked and special circumstances relating to 1920 the amount actually received by them was much greater than this. The Ordinary shareholders received as dividend 15 per cent. in 1913 and 20 per cent. in 1920.

The advantages of co-partnership are not universally conceded, but there is little doubt that true co-partnership must be the ultimate solution of industrial peace. When capital and labour recognise their respective limitations and the mutuality of their interests, co-partnership in some form or another will be the only possible yoke. Lever Brothers Limited number 8,306 co-partners in their undertakings, holding certificates to the amount of £1,399,438 and earning in 1920, as already stated, a dividend of £276,854. Since the inception of the scheme in 1909 considerably over a million sterling has been distributed amongst co-partners.

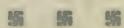
FOOD FOR THOUGHT.

Of all the many urgent problems of the hour there is none so important as that which concerns the relation between rates of wages and the cost of living. In every speech, article, discussion or advertisement dealing with the present dispute in the mining industry this question crops up either directly or by implication over and over again. In the joint manifesto issued by Parliamentary representatives of the Trade Union Congress and the Labour Party we are told, for example, that "*the miners are fighting for a living wage*," that the rates offered by the mine-owners leave "*real wages 22 per cent. below the level of 1914*," and the demand is made that "*wages shall in no case be reduced below a reasonable standard, having regard to the cost of living*." Similarly, Mr. Frank Hodges, in his letter to "*The Times*" on May 4th, calls upon the Government to provide money for miners' wages and "*to relate it directly and specifically to the cost of living*." Similar statements could be multiplied almost without limit and behind each of them would stand one and the same assumption, viz., that the cost of living is a definite entity which can be ascertained and measured by reference to the index numbers published periodically by the Board of Trade. This being so it becomes a matter of supreme importance to enquire whether the pivot round which such momentous issues revolve is correctly centred and whether the index numbers do, in point of fact, indicate with sufficient accuracy the increase in the cost of living at any given time as compared with the state of affairs existing in July, 1914.



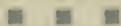
Before dealing with the question of the present value of money and its relation to the problem of wages, we had better explain how the presumed extent of the increase in the cost of living has been calculated. Briefly stated the method employed appears to have been as follows. In 1904 an investigation was conducted by the Board of Trade into working-class incomes, consumption and expenditure. For this purpose a number, but not a very large number, of family budgets were examined and the then cost of living deduced therefrom. By comparing the market prices of 1904, with those ruling ten years later an estimate was obtained of the probable

weekly expenditure of a certain type of working-class family in 1914, and it is this estimate that has become the basis on which the whole computation is founded. The next step was to compare a budget for the same type of family at the present time, on the supposition that its members eat exactly the same quality and quantity of food, wear exactly the same sort of clothes and purchase other commodities which are identical with those they were accustomed to before the war. If the two budgets prepared in accordance with this formula are compared the arithmetical result will be found to be that the cost of living in April, 1921, is higher than the cost of living in July, 1914, by 133 per cent, or in other words that the purchasing power of the sovereign has fallen from twenty shillings to eight and sevenpence. Such is the arithmetical result which, depending as it does, on the above mentioned factors, ceases to have much practical value if the formula turns out to be imperfect or even inappropriate.



It is to be regretted that the original figures on which this supposition is built are seventeen years old, but that is a small matter in comparison with the other and more pertinent considerations that demand attention. In the first place, it is almost an axiom that statistics on which such important issues hang should relate to things as they are and not to things as they might have been if circumstances happened to be different. Everybody knows from practical experience that the pre-war standard of living has not been maintained quantity for quantity, article for article, and quality for quality in any household in the land, nor has the change been altogether in the direction of using inferior substitutes. Many men, for example, through having become accustomed to army rations, now include in their dietary a larger proportion of meat than was formerly the case, whilst the new poor have learnt to do with less. Taking national housekeeping as a whole there is no doubt that war-time restrictions *did* teach us some lessons in domestic economy and we do not waste as much food as we used to do in the old days. These and similar changes may not be susceptible to statistical treatment, but their omission tends to detract from the value of the figures under consideration. It would have been wiser, in our opinion, to have conducted the investigation on the lines adopted in Australia, where enquiry was directed to the

discovery of "the actual cost of living according to reasonable standards of comfort, including all matters comprised in the ordinary expenditure of a household."



But the particular respect in which the Board of Trade index numbers are so profoundly unsatisfactory from the point of view of the use to which they are being put lies in the selection of a family unit which, besides being very ill-defined, fails to represent anything approximating to the average dependent family of the working-classes in this country. The *Labour Gazette* does not tell us how the families which provided the original budgets were selected, but from internal evidence it is clear that what is called the "standard" urban working-class family was in effect the basis of the calculations. Now the standard urban working-class family consists of 4.57 persons, viz., one wage-earner, 1.2 supplementary earners and 2.37 dependents. If every miner had a wife and was the father of two or three dependent children, there might be some sense in estimating the increase in his cost of living at 133 per cent. and reckoning his wages at the rate of 8s. 7d. to the sovereign. But the coalmining industry is not so constituted. It contains a large proportion of youths and unmarried men to whom the index numbers do not apply with any approach to accuracy. It follows that any attempt to fix wages on the "standard" family basis is only to befog the whole issue and to make confusion worse confounded. The *average* working-class family consists of one wage-earner and 1.45 dependents, if boy-workers are allowed for, and of one wage-earner and 1.76 dependents if only workers over 20 years of age are taken into account. Index numbers calculated on a basis that would show the cost of living per *individual* would have a specific bearing on the question of wages. The Board of Trade index numbers have little or none.



DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

April 1st. The cost of living was 133 per cent. above that of July, 1914, 8 points lower than on March 1st.

During March over 11,000 work-people received wage increases amounting to £2,900 a week. About 350,000 sustained decreases amounting to £60,000.

105 disputes involved the idleness of 31,000 workpeople and the loss of 469,000 working days.

Unemployment in the Insured Trades rose to 11.3 per cent. and to 10 per cent. amongst trade unionists. 838,000 people were working systematic short time. 1,414,000 people, of whom 936,000 were men, were registered as unemployed at the Exchanges on March 24th.

Coal dispute: with one or two small exceptions, the coalfields throughout the country are idle. Many pits are in immediate danger from flooding, and volunteers are called for to work the pumping engines.

The Shipbuilding conference at Carlisle terminated in the men's refusal to accept the proposed reduction in wages. The employers refused the men's request that the matter should be referred to arbitration under the Industrial Courts Act because of the trade unions' action last year in terminating their agreement under that Act.

4th. Coal dispute: Enginemen, who did not at first join the strikers, are now ceasing work and some pits are being flooded. The Government have issued orders restricting coal supplies. A number of branches of the N.U.R. passed resolutions to support the miners by strike action.

Shipbuilding dispute: The Minister of Labour received a deputation from the Federation of Engineering and Shipbuilding Trades and undertook to discuss the proposed reductions in wages with the employers immediately.

The Coal dispute was discussed in both Houses of Parliament.

The Transport Workers' Federation adjourned their meeting without coming to any decision. The general feeling indicated a desire to delay precipitate action until every avenue of peace had been explored.

6th. Urged by the Prime Minister, the Miners' Federation agreed to reopen negotiations with the mine owners, but later refused to accept the Prime Minister's condition that pumping should first be resumed.

The Executive of the Transport Workers' Federation recommended that the miners should receive whatever support was deemed necessary. The N.U.R. adjourned without reaching any decision.

7th. The miners' leaders met the Government but refused to accept the condition that they should start pumping before conferring with the owners. They, on the other hand, demanded the concession of the two fundamental principles for which they are fighting: the National Wage Board and the National Pool. The N.U.R. decided to meet the Transport Workers to-morrow to determine the best method of coming to the miners' assistance

8th. The miners refused the Prime Minister's second suggestion that the owners should meet the miners, but that the first matter for discussion should be the safety of the mines.

The Triple Alliance decided to strike at midnight on April 12th if negotiations are not resumed before that date. A proclamation was issued calling out the reserves of the Army, Navy and Air Force, and volunteers to form temporary Defence Units are called for

9th. After a series of conferences throughout the day, at 10 p.m. Mr. J. H. Thomas issued a notice to the effect that it had been agreed by the Triple alliance that the Government should summon a conference of representatives of miners and mine owners to meet at the Board of Trade at 11 a.m. on Monday to discuss all questions in dispute between the parties. Also that the Miners' Federation should counsel their members not to interfere with the measures necessary to secure the safety of the mines.

11th. A conference was held under the presidency of the Prime Minister. The whole of the time was occupied by preliminary statements of the case for the two contending parties. Mr. Lloyd George arranged to meet the owners and the miners to-morrow morning separately, prior to a further joint meeting. The Prime Minister stated that, as far as the Government was concerned, the solution of the present problem was subject only to two conditions: Parliament could not be advised to tax the country for the permanent maintenance of any great industry, nor to abrogate the Act which determined the decontrol of the coal industry. The Triple Alliance issued a manifesto in the late evening announcing that "unless an offer is made to the miners which their colleagues in the Triple Alliance can feel justified in recommending them to accept," a stoppage of railwaymen and transport workers will begin.

Railwaymen: The messages posted up by the managers of most of the railway companies on the subject of wages and the decontrol of railways in August next, are denounced by Mr. C. T. Cramp, industrial general secretary of the N.U.R.,

as an attempt to "gull" the railwaymen and to prevent them from throwing in their lot with the miners. There is nothing in their statements, according to Mr. Cramp, to prevent them from reducing wages or scrapping the existing national agreement in order to make the profits to which they consider themselves entitled.

12th. Coal dispute: The day's conferences ended in complete failure, the Miners' Federation refusing to accept the offer made by the Government who suggested that the national pool is impossible without complete and permanent control by the State, which would suppress incentive to production and increase cost. They suggest a standard district wage to be determined nationally and to take priority of profits. Finally the Government offer to give temporary financial assistance to the districts where wages are most seriously affected.

The Triple Alliance issued notices postponing the general strike until further instructions are given.

13th. The Triple Alliance at 11.45 a.m., announced that the Transport Workers and Railwaymen had unanimously decided to strike at 10 p.m. on Friday the 15th. Mr. Thomas stated that the Locomotive Engineers and Firemen and the Electrical Trade Union would also join in.

Russia: The economic failure of Bolshevism and the consequent return to some form of capitalism is announced by Lenin who, in the interests of the State, has decided to levy a tax on the peasants instead of forcibly requisitioning their produce. "The owner," Lenin writes, "can, and will, work for his own interests, because all the surplus will not be taken away from him, but only a tax."

Soap Workers throughout the country have voluntarily offered to accept wage reductions varying from 6s. to 1s. a week, and these rates will come into operation next week.

14th. A joint meeting of the Parliamentary Committee of the Trade Union Congress, the National Executive of the Labour Party and the Parliamentary Labour Party was held at the House of Commons. The meeting determined to give the whole support of organised Labour to the Triple Alliance and appointed a committee to organise such support. The Federation of General Workers, with a membership of close upon a million and a half, announced their decision to support the Triple Alliance.

Mr. Frank Hodges addressed a meeting of members of Parliament in the evening and stated that the Federation was ready to discuss the wage question alone, provided that any settlement arrived at would be of a temporary nature and without prejudice to the larger claims put forward. Mr.

Thomas inferred that he would do his best to postpone strike action if there were any chance of a settlement.

The coal-owners invited the representatives of the miners to discuss what can be done to improve the wage conditions of the worst paid miners.

16th. In answer to the Prime Minister's invitation to meet the owners and the Government at 11 a.m. to discuss a temporary wage settlement, Mr. Frank Hodges sent a note to the effect that his Union would not re-open negotiations until the principles of the National Wage Board and the National Pool had been conceded. The three members of the Triple Alliance met in the morning. Subsequently the Transport Workers and the Railwaymen met without the miners, and at 4 p.m. Mr. Thomas and Mr. C. T. Cramp announced that the strike of their members and of the union, who had pledged their support to the Triple Alliance, was cancelled. The reason given to the miners for this action was that the other members of the Alliance judged that the Miners' Federation ought to accept the present offer and not insist upon their original demand. A full delegate meeting of the Miners' Federation has been called for Friday, April 22nd.

18th. The Northumberland Miners' Association desire the Executive to meet the owners and the Government to ascertain the terms of the temporary wage settlement offered. South Wales, Lancashire and other districts demand first the concession of the National Pool and National Board. The South Wales miners also demand the cessation of pumping in the mines.

Recruiting for the Defence Force ceased.

19th. The coal owners issued detailed proposals for a settlement. They offer a National Wages Board which shall apply national principles to the determination of wages based in each district upon the district financial results.

The Shipbuilding Employers' Federation and the Federation of Engineering and Shipbuilding Trades held a second conference at Carlisle at which the workers' representatives agreed to recommend reductions of 6s. in the wages of time workers and 15 per cent, in the rates of piece-workers. The reductions will be made in two equal instalments as from May 7th and June 4th.

20th. The Miners issue a statement to show that the Owners' "Nine Points" contain no new offer. The owners state their objections to a levy on tonnage. Sir Richard Redmayne and Sir Josiah Stamp make notable amendments to the pooling arrangement first outlined by Sir William Beveridge.

At the conference of the South Wales Miners' Federation it was unanimously decided to re-affirm the demand for the National Pool and Wages Board, and to ask the Miners'

Federation on Friday to take steps to remove the safety men from the mines. A resolution calling for the resignation of Mr. Hodges was postponed until after Friday's meeting. North Wales, Lanarkshire and Fife are also committed to the demand for a National Pool.

21st.

Twelve men, professing to act on the mandate of 10,000 members of the United Vehicle Workers' Union, drove the secretary, Mr. Stanley Hirst, and staff out of the headquarters of the Union and took possession. A manifesto was issued by the "Provisional Committee" protesting against "the betrayal" of Labour by the trade union leaders who called off the general strike on "Black Friday," and alleging that the officials were interested in keeping the workers on a "fodder basis" and had on Wednesday last, "behind the backs of the men," agreed to a wage reduction.

Representatives of the Amalgamated Engineering Union and the Engineering and National Employers' Federation discussed the proposal to reduce engineering wages by 6s. on time rates and 15 per cent. on piece rates, and to abolish the bonuses of 12½ per cent. and 7½ per cent. on time and piece rates respectively. The men resisted on the grounds that, having regard to the rates paid in other trades calling for like skill, the reductions were not justified, and that the rates paid to skilled engineers were not commensurate with the value of engineering products to industry.

22nd.

The Miners' Delegate Conference met. Complete unanimity of all districts was reported in favour of the National Wages Board and Pool. The conference expressed complete confidence in Mr. Frank Hodges and the Executive. A resolution was passed protesting against the official reason given by the other two sections of the Triple Alliance for their defection.

The Prime Minister brought about a meeting of Miners, Mine-owners and Ministers. After three hours discussion the meeting was adjourned until Monday the 25th. The owners undertook to submit fuller details of the effect of their present proposals on wages and profits.

A conference representing over 1,000,000 trade unionists in the engineering industry decided to resist the proposed wage reductions in the industry.

Seafarers' representatives agreed to recommend to their members the proposed wage reductions of 8s. 6d. a week among all ratings in the Mercantile Marine. On monthly engagements the reduction will be £2 10s. a month.

The "Provisional Committee" left the offices of the United Vehicle Workers' Union after several hours conference with the official committee.

23rd. The mine-owners are reported to have sent to the miners proposals for a temporary wage settlement on an "area" basis for three months. Transport workers are instructed by their Federation to refuse to handle coal in any way calculated to "break" the effects of the strike.

The Communist Party of Great Britain held a special meeting in Manchester. The leaders of the Triple Alliance were formally censured for their "betrayal" of labour, and Mr. Robert Williams was expelled from the party.

Manchester Chamber of Commerce reported that the coal shortage was seriously arresting the progress of a very promising recovery in the cotton trade.

25th. The National Union of Railwaymen instructed their members not to handle coal at colliery sidings or imported as a consequence of the dispute.

The Owners submitted proposals for a temporary and permanent settlement based on six areas. The meeting was adjourned to enable the owners to submit estimates of the proposed wage rates in the six areas.

26th. At the adjourned conference between the Government, the mine-owners and the miners, figures were produced by the Mines Department and the Mining Association showing that during March a loss of £5,259,209 was sustained through the industry. It was shown that the deficit called for an average wage reduction of 5s. 4½d. per shift. Further, that if the owners gave up the whole of their standard profits (17 per cent.) the addition to wages would reduce the wage deficit to 4s. 1½d. The Government offered to discuss wages for the month of May on the basis of a reduction not exceeding 3s. 6d. Mr. Herbert Smith rejected the offer.

28th. The Government stated that in their view the National Pool is a political issue involving legislation. Subject to the condition that an agreement should be made for one year, terminable thereafter on three months notice by either side, they made the following offer:—Wages should not be reduced by more than 3s. a shift in May or 3s. 6d. in June. The Government would give £10,000,000 to be used for raising wages to the agreed standard, and, if the miners so desire, would collect and distribute all surplus above the minimum so as to equalise the reduction throughout the coalfields. The Miners' Federation passed an almost unanimous resolution rejecting the offer on the ground that the fundamental principles of the National Wages Board and Pool were excluded.

29th. The suspension of the guaranteed week for railwaymen has been agreed to by the Railway Managers' Committee, acting on behalf of the Government, and the N.U.R. and Associated Society of Engineers and Firemen. Three days work is guaranteed in its place.

"I.P." STUDY SCHEME

Paper No. II.

Each question must be answered on a separate sheet of paper.

Candidates must write their name and address on the top right-hand side of the paper. All the sheets should be numbered consecutively and fastened together.

Answers should be as brief as possible, and no single answer must exceed 750 words.

All answers must be received by The Secretary, "I. P." Study Scheme, at 20 Magdalen Street, Oxford, not later than May 30. To facilitate correction, candidates are asked to send in their answers as early as possible.

The first two questions are based on *The Economics of Everyday Life*, the third and fourth on *Social Economics*.

1. Examine carefully the following statements :—(a) Income is the reward of service (b) The remuneration of a service depends on its value.
2. How far is it true to say that the interests of capital and labour are in conflict with one another?
3. Discuss the attitude of Craft Unions towards either (a) dilution of labour, or (b) payment by results.
4. "A bank is a merchant firm: its merchandise is credit" Consider this statement.

NOTE.—Candidates are particularly requested to write their addresses on the top right-hand corner of the first page of their answers, and before answering the questions, to read carefully the italicised instructions.

Candidates who do not receive a copy of *Industrial Peace* by the 20th of each month should write to the Secretary for a copy.

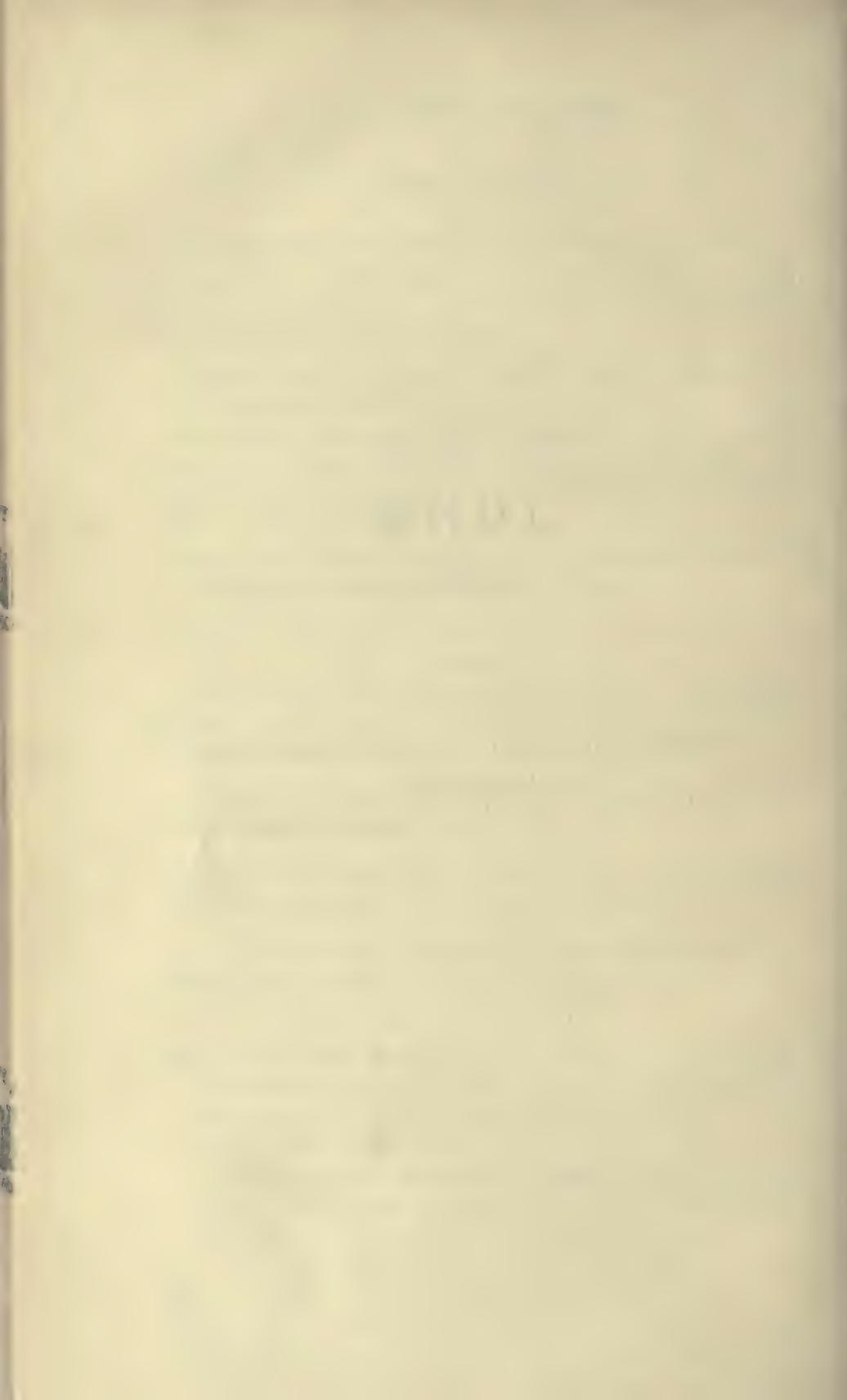
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"Service above Self. He profits most who
Serves best."

Rotary Motto.



INDUSTRIAL PEACE

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INDUSTRIAL PEACE

ROTARY.

It is an intriguing name, Rotary. I had often heard it and wondered what it might mean, before I met a Rotarian and attended a Rotary Club lunch. Now I know that it means everything, or nigh that. There is already a large literature of Rotary. Its periodicals, and especially those published in the United States, the Homeland of Rotary, are things to admire. Its spirit is—the spirit. Its organisation is unique. It is unflinchingly methodical. Its aim is the promotion of nothing less than Goodness in general. For the benefit of beginners, its aim might be defined more narrowly as Good Will and Good Work, but it reaches out to all the ends of the Earth and up to Heaven. It is a Golden Stair whereby men may climb higher on rungs of Service away from Self. It is a creed, a new Knighthood of Business, a new religion of Work. But who could hope by piling up phrases to express an Everything?

Rotary was born in Chicago in February, 1905. Chicago, perhaps, needed Rotary. But most towns do. The Founder was Paul Harris, a lawyer. He sought to plan a "business circle" for the purpose of mutual improvement. The first circle consisted of four men, Mr. Harris, a mining operator, a coal dealer and a tailor. Within a year the circle counted fifty members, each member representative of a different calling, and all acting as host in rotation, whence the name Rotary. In 1908 San Francisco followed the example of Chicago. In August, 1910, there was held at Chicago the first National Convention. A few years later the National Association of Rotary Clubs was rechristened as the International Association, Canada and the British Isles having meanwhile joined the movement. There are also clubs in South America, Cuba, Hawaii, the Phillipines, China and India. This month a great Convention of Rotarians is being held in Edinburgh, at which a couple of thousand guests are expected from America. There are now little short of fifty clubs in the United Kingdom.

Rotary has had a great and rapid success. Its methods are neither recondite nor esoteric. Its ritual centres round the weekly lunch-table. Each club meets for lunch once a week, and with the smokes the speakers, who may be members or strangers, rise. The programme is fixed to end at two or shortly after, so that no time that might be spent on work

may be wasted on talking about it. For part of the original idea was that the speakers should give "business talks," should "talk shop" in fact. Given a competent man as speaker, an interesting calling as theme, an atmosphere of friendly privacy and confidence "business talks" can be both pleasant and bracing. After all there are a few more interesting things than how a man's work is done, and every man can speak to the point on his own calling, if on no other theme. To ensure a good standard of talk and thought Rotary has a rule that only a directing head of a well-reputed business may be admitted a member. It is not necessary that a member should be the leading man of his calling in his own district. Rotary is not snobbery. But members must worthily represent their callings, and this cannot be done by men who do not stand near the top in their own firms at least and who are not responsible and respected. By another rule only one person and no more may be admitted to a club as representing any one calling. Business talks are easier in the absence of business competitors. All members are expected to know each other, and to attend club-lunches regularly. It is a principle of Rotary that the ritual of making friends and keeping friends shall be thoroughly organised. Slackness in the performance of club duties is visited, in virtue of the same principle, with expulsion.

Rotary aims at inspiring a freemasonry of intimate discourse and of brotherliness about matters of work, and, thereby, at raising the standard of work and idealising the work motives. Its keynote is Service. There is deep jealousy in these days of the motive of profit and selfish gain in business life. Rotary stands for a better balance between the two motives of gain and of Service. It preaches the humanising of all the relationships into which work brings a man with his fellows. It illuminates the idea of function. The world, Rotary teaches, is not a place in which a man may rightly exploit to the uttermost on pain of being himself exploited, but one in which a man should try to think and to act representatively. Rotary trains fellow-workers, not profiteers.

By their fruits Rotarians shall be known. Rotary enjoins on its members no common effort, no pet philanthropy, no single aim. It eschews all political and religious controversies. Its lesson of a high standard of work and service and of brotherly-heartedness can be applied in a thousand ways. Rotary infuses its spirit at numberless points. Its fruits are beginning to be harvested in England.

THE INDEMNITY PROBLEM. II.

It has already been shown that the payment of an indemnity by Germany involves correspondingly heavy taxation upon the people of that country. There is clearly a limit to the taxable capacity of any group of people, such limit being indicated not so much by their total wealth as by the point at which any further taxation produces an unfavourable reaction upon their efforts as producers. The point was elaborated in the first article. The problem may be approached from another line of direction. What effect is the payment of an indemnity of considerable amount likely to produce upon the trade of other countries?

First it may be observed that states, in the economic sense, may be either complementary or competitive or, again, (as is more often the case) partly the one and partly the other. Argentina and Great Britain, generally speaking, are complementary. The one is mainly an agricultural state, the other mainly mining and manufacturing. They interchange products which cannot easily be obtained at home. The development of each is of obvious advantage to the other. Germany and Great Britain, on the other hand, are largely competitive; that is, they are both mainly dependent upon the same mining and manufacturing industries. Taking a long view, the demand of the world for goods in general is practically unlimited; it grows as the number of the people increases and their producing capacity is enlarged by invention and organisation. A permanent world-over supply of things in general is scarcely conceivable. Clearly, then, there is room for steady growth in the competing industries of the two countries.

But the absorbing power of the world at any given moment is limited. If, other things remaining the same, the total world production of, say, steel and even cotton were enormously increased within a very short time, these commodities would fall heavily in price, bringing ruin to the weaker firms. Such one-sided development actually took place during the war, when the producing capacity of the world in respect of war materials such as copper, spelter, chemicals, &c., was enormously increased, and in the case of spelter the result is already obvious. Factories have been closed which will

probably never be reopened. If, therefore, increased efficiency broadly interpreted, is to secure the benefit to humanity which is claimed for it, it must be secured by a well balanced development of the world's resources. Under normal conditions economic forces produce that result. They operate in a jerky manner, not without injury to sections of the community. Equilibrium is generally restored, when it has been lost, only by means of world-wide depression of trade. Nevertheless they do, in the long run, serve economic purpose.

It has already been stated that the indemnity will be paid by exporting goods and services to an amount exceeding that required to pay for imports. The excess or surplus will represent the indemnity. If large annual payments are insisted upon, the surplus must be correspondingly large. It can be increased by reducing imports or increasing exports. If we compel Germany to pay relatively heavy sums immediately and the latter country is unable to obtain assistance from the United States, obviously the people of Germany will require to live hard and work hard. They will import less textile goods from Lancashire and Yorkshire. They will buy less wheat from South America, less tea from India and China. These countries in turn, will be able to purchase less from us. Again German coal, German steel and machinery, German chemicals, &c., which were once produced largely for the home market, will now be sent abroad in far greater proportion. In short, the world market will be contracted to an extent indicated by the degree of thrift imposed upon the Germans by the indemnity payments; and it is the market for precisely those goods which we provide in great quantities that will, in the main, be so contracted. German coal, for example, competes with British coal in the French market. Such competition is dangerous for the reason that it represents not a normal development of the German coal industry but, to a great extent, the export of coal which would normally be consumed in Germany itself. We cannot send coal to relieve the scarcity in Germany. The danger of competition is the greater by the fact that Germany has at her command a large industry, or group of industries, which, before the war, was devoted to building ships of war, guns and their component parts, and other war materials, and which will now be employed in making steel and engineering products in direct competition with corresponding industries in this country. Rapid disarmament is bound, in any case, to

result in industrial dislocation; combined with an unwise indemnity policy it intensifies the disturbance.

For the reason that the world is passing through a period of acute depression, due to a number of causes, the precise economic effects of the rapid payment of a large indemnity will not be clearly evident, and when they are felt they may be attributed to other factors. It is not unlikely that its first effect will be to stimulate industrial activity in Germany, enabling that country to present the appearance (which is merely appearance, not reality) of prosperity, and to retard economic recovery in this country and intensify industrial unrest through attempts to reduce wages beyond the point which industrial depression of itself necessitates.

It does not necessarily follow that an indemnity can only bring harm to the winner and may be advantageous to the loser. The French indemnity of 1871 represented gain to Germany. Moral effects apart, it is clearly a good thing to be a heavy creditor, and a debt represents a burden to the debtor. But the creditor might do injury to himself if he pressed for immediate payment, irrespective of the particular circumstances of the case. An advance by a bank to a manufacturer represents a profitable investment; but if a bank pressed for immediate repayment from all its debtors, it might ruin itself. Our foreign investments, accumulated in the course of nearly a century, were obviously a gain to ourselves; but if we had pressed each of the debtor States, we might have injured ourselves in the process. The United States of America is rapidly coming to realise the force of this truth, and is rapidly preparing, not merely to fund European loans as they mature, but even to extend further credits to necessitous States. In this way alone will the great exporting industries of that country be able to maintain and extend their markets in Europe.

If it is economically desirable, from the point of view of America, to fund loans granted to the Allies during the war (and some seriously urge that they should even be wiped out), it may, and probably is, equally desirable that Germany should not be pressed to pay large instalments within a short period. One important contributory cause of the present depression of trade is the closing of the Russian market. How can the German market be largely and permanently reduced without intensifying the depression and delaying the recovery of trade? It is agreed that the extension of adequate credit

facilities to the smaller states of Central Europe is necessary in the interests not only of the States themselves, but also of international trade as a whole. Does it not equally follow that the granting of credit facilities (of a different kind) to Germany to enable her to pay the earlier instalments of the indemnity would be economically desirable?

From what has been stated above and in the first article it would appear desirable, in the interests of this country, that, apart from specific reparation payments in goods needed to rebuild the devastated areas of France, the indemnity should be of fixed amount (in gold) and should be "paid" in the first instance by the issue of bonds representing long term loans and bearing a fixed rate of interest. Such bonds would soon become marketable, if guaranteed by the League of Nations, and would represent indebtedness to the holder on the part of the issuing State in precisely the same way as do British Government bonds held by the United States Government or private individuals abroad. Germany, at first, would need only to pay interest. The disturbance to world trade would be far less than may prove to be the case under the existing scheme; certainly the competition of German experts would not be so keen as it is likely to be during the next few years. Combined with other measures described in an earlier series of articles on industrial depression it would do much to restore trade to its normal state. By the time Germany was in a position to commence repaying the indemnity 'loans' industrial equilibrium would be restored, and payment could be made, on a gradually increasing scale, without serious disturbance to trade and commerce.

(*The End*).

THE FACTS OF THE CASE IN DIAGRAM, XIV.

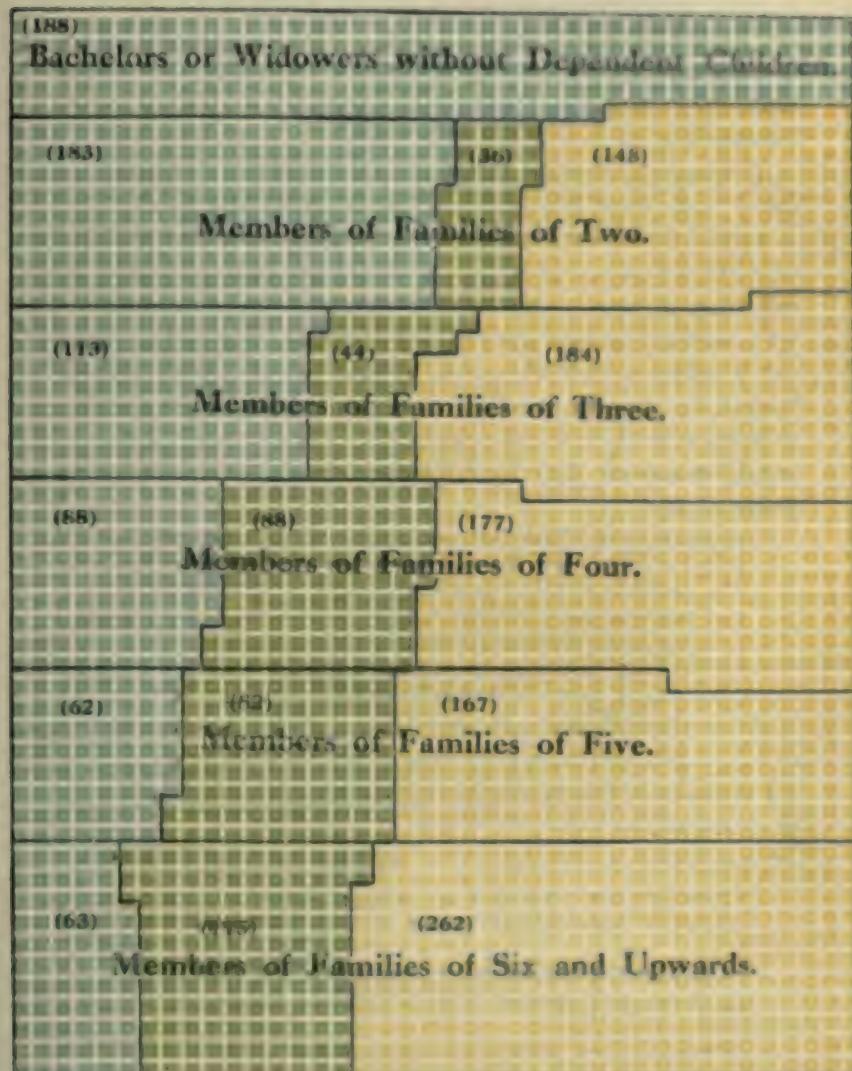
In Diagram No. 6 of this series, published in July, 1920, we showed that, at the time of the last Census, the number of persons working for employers amounted to a total of fourteen million, six hundred and seventy-five thousand. The dependents of these workers were found to number fifteen million persons and we arrived, therefore, at the figure of 29,675,000 as representing the sum total of persons who, as workers, or the dependents of workers, lived on part of the proceeds of private enterprise. In our diagram No. 24 we have taken the round number of thirty millions instead of the twenty-nine million, six hundred and seventy-five thousand above mentioned, and adopting the scale of 15,000 persons per square we shall require 2,000 such squares to accommodate thirty million people. It is our present design to give a diagrammatic representation of what constitutes an "average" working-class family and to compare the result with the "standard" urban working-class family which figures so frequently in discussions and calculations connected with the question of wages in relation to the "cost of living."

At the outset we wish to disclaim any intention of advocating that wages should be fixed on a basis of the "average" family. We are aware that such a method would have the effect of standardising the inequalities which at the present time penalise married wage-earners with large families of young children, whilst bachelors would continue to enjoy the advantage of a considerable margin for pocket money after meeting all necessary expenses for the provision of clothing, board and lodging. Nor do we forget that bachelorhood is only a temporary condition, for the majority at any rate, and that it is desirable on every ground that the unmarried should be in a position to save money against the day when they assume the responsibilities of husbands and parents.

Any shortcoming, however, which disqualifies the "average" family as a basis for computing wages applies with even greater force to the "standard" family, whilst the latter has the additional disadvantage of being more remote from the state of affairs actually existing than the former. Admittedly there are a large number of families which are not "average"—but the number of families which are not "standard" is even larger.

DIAGRAM No. 24.

(Note.—The figures in brackets refer to the number of squares in each group.)



"AVERAGE" COMPOSITION OF WORKING CLASS FAMILIES.

Scale: each square of colour represents 15,000 persons.

Blue denotes Wage Earners.

Green denotes Supplementary Wage Earners.

Yellow denotes Dependents.

The "standard" urban working-class family consists of 4.57 persons and includes 1 wage earner, 1.2 supplementary earners and 2.37 dependents. It is understood to have been based on a survey of 1,944 so designated "typical" families in various urban districts. It may be taken to be accurate so far as the selected families are concerned, but its value is discounted by the fact that what constitutes a "typical" family is rather a matter of opinion than a matter of accurate knowledge.

The calculations upon which an estimate of the "average" family has been formed may be described briefly as follows. A scrutiny was conducted at the London School of Economics of ten per cent. of working-class households in five large industrial towns. The results obtained were supplemented by a scrutiny of two per cent. of the Census sheets (1911) of seven other industrial towns and metropolitan boroughs. The household budgets received numbered 9,785, representing, by sample, a working-class population of 4,480,000. The resulting figures show that of English male workers over twenty years of age

- 27 per cent. are bachelors or widowers without dependent children.
- 24.7 per cent. are married men without children or with no dependent child below fourteen.
- 16.6 per cent. have one dependent child.
- 13.0 per cent. have two dependent children.
- 8.8 per cent. have three dependent children.
- 9.9 per cent. have more than three dependent children.

When these figures are adjusted to meet the fact that out of every hundred men who have been married nine per cent. are widowers, the following table of family groupings can be constructed.

	Number in family	Persons
27.00 per cent. without wives or dependent children	1	27.00
24.70 per cent. married couples with no dependent children	2	49.40
1.50 per cent. widowers with one dependent child	2	3.00
15.10 per cent. married couples with one dependent child	3	45.30
1.18 per cent. widowers with two dependent children	3	3.54
11.82 per cent. married couples with two dependent children	4	47.28
0.80 per cent. widowers with three dependent children	4	3.20
8.00 per cent. married couples with three dependent children	5	40.00
0.90 per cent. widowers with four dependent children	5	4.50
9.00 married couples with four or more (say 5) dependent children	7	63.00

DIAGRAM No. 25.

(Note.—The figures in brackets refer to the number of squares in each group.)

THE "AVERAGE" FAMILY.

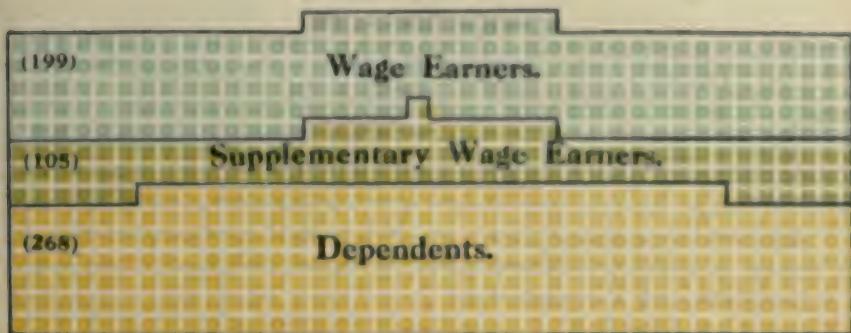
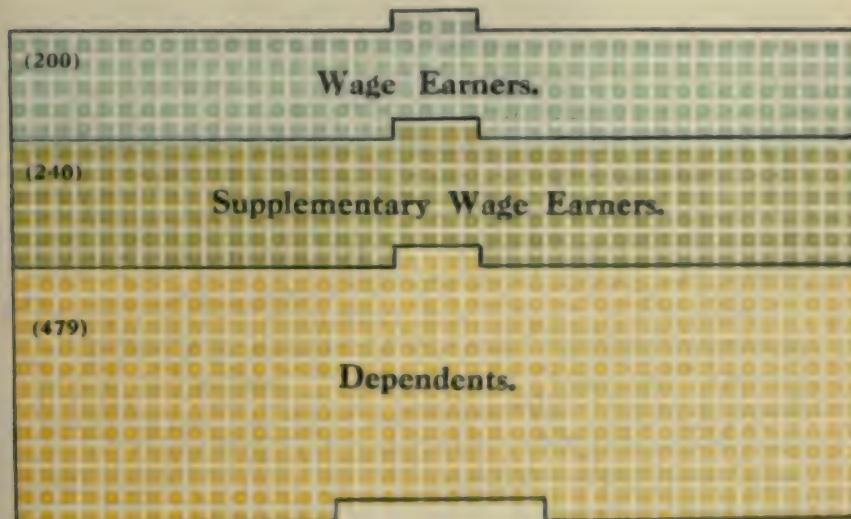


DIAGRAM No. 26.

THE "STANDARD" FAMILY.



"AVERAGE" AND "STANDARD" FAMILIES
COMPARED.

Regrouping these results we get:—

Proportion of persons belonging to families of one					27.00
"	"	"	"	two	52.40
"	"	"	"	three	48.84
"	"	"	"	four	50.48
"	"	"	"	five	44.50
"	"	"	"	seven	63.22
					286.22

Distributing the last mentioned figures proportionally and to scale amongst the thirty million persons referred to in the first paragraph of this article gives us the framework of Diagram No. 24.

In order to indicate the average composition of the families represented in the diagram with regard to the proportion of wage earners and supplementary earners to dependents, we have adopted the ratio laid down for a "standard" family for the larger groups of four and upwards. In dealing with families of three we have departed from this ratio and allowed only half the number of supplementary earners that would be included if the same proportion had been maintained throughout the diagram. Our reason for this departure is that families of three consist for the most part of young married couples with one infant child and it is clear that such a family can seldom count on anything in the shape of supplementary wages, although in some industries, as, for example in the cotton industry, it is not unusual for young mothers to remain at work in the mills. With regard to families of two, which consist mainly of a husband and his wife, the above mentioned ratio is quite inapplicable, and in the absence of more accurate information we have made use of the conservative, and not unreasonable, assumption that at least one childless wife out of six is a supplementary earner.

Diagrams No. 25 and No. 26 collect the foregoing results and present them more concisely in the shape of a comparison between "average" and "standard" families. It will be observed that in the former the wage- and supplementary earners taken together outnumber their dependents by 36, whilst in the latter the dependents are more numerous than the earners by 34—a very substantial difference.

No attempt has been made to appraise the value of supplementary earnings, which range upwards from the small wages of boys in the mines and girls in the mills on part time up to the wages of men and women in full work at Trade Union rates.

THE BLUE BOOK WORM, III.

1. *Report on Brushes and Brooms.*
(Central Profiteering Committee) Cmnd. 1275, 1921. 2d. net
2. *Report on Iron and Steel Products (cut nails, bolts and nuts, and horse nail trades).*
(Central Profiteering Committee) Cmnd. 1268, 1921. 2d. net
3. *Second Report on the Standard Boot and Shoe Scheme.*
(Central Profiteering Committee) Cmnd. 1269, 1921. 1d. net.
4. *Report of the University Grants Committee.* (3rd February, 1921).
Cmnd. 1163, 1921. 3d. net.
5. *Returns from Universities and University Colleges in receipt of Treasury Grant, 1919-1920.* Cmnd. 1263, 1921. 3s. 6d. net
6. *Memorandum on Railway Bill.* Cmnd. 1292, 1921. 2d. net.
7. *First Annual Report of the Colonial Research Committee.*
Cmnd. 1144, 1921. 4d. net.
8. *Final Report on the Administration of the National Relief Fund, up to 31st December, 1920.* Cmnd. 1272, 1921. 3d. net.

THE Report on Brushmaking, a reassuring document in respect of prices and profits, contains interesting information about a trade that used to be depressed, but is now, thanks to the war, in a fairly strong position. British makers command the market in high-grade goods. The cheaper makes are largely in the hands of the Japanese and the Belgians, German and Austrian competition not having fully revived as yet. The Belgians pay their labour far less than our Trade Board rates, and gain, besides, as exporters through the depreciation of their exchange. One of the results of the Russian Revolution is that the best quality of brushes cannot be made, since the supply of Russian bristle, which is the best, is cut off. Until Lenin makes peace with the Russian peasant, our brushes will not be what they were.

The Cut Steel Nail Trade also owes a good deal to the war. Until it organised itself sixteen years ago this trade was declining. It now undercuts foreign nails in this country and is expanding its exports. The Cut Nails Association fixes minimum prices and controls the output of its constituent firms by a pooling system, the effects of which the Report regards as ultimately harmful to the community. In this trade, as in many others, the investigations of the Central Profiteering Committee have been rendered inconclusive in part by the lack of accurate costings. The Report therefore makes no pronouncement on whether prices are reasonable or not.

The consumer must be consoled by the inability of foreign makers to compete.

The public never took to Standard Boots. The ambitious scheme which was to standardise the profits of manufacturers and of wholesale and retail distributors and to guarantee quality as well, and which, to do it justice, had a certain success during the war, is now abandoned. There are many reasons for this. On a rising market such a scheme would protect the consumer; on a falling one it must protect the boot trade: and when the adoption of the scheme was being discussed prices were falling. The public preferred free trade, and bought familiar brands for their quality rather than "standards," of the quality of which it was suspicious. The trade, moreover, was divided against itself. The figure of 27½ per cent. gross profit for distribution, inherited from the war time Standard Boot Scheme and based by the War Office on certain costings, was too low to interest the distributors in handling standard boots. It certainly allowed nothing for the expenses of advertisement, without which no new brand can succeed. This report ought to be read along with the first Report on Standard Boots (Cmd. 592).

The extent and the manner of the present State subventions to Universities are not well known. In July, 1919, the Chancellor of the Exchequer set up a Standing Committee, known as the University Grants Committee, to enquire into the financial needs of University education in the United Kingdom and to advise the Government as to the application of any grants that may be made by Parliament towards meeting them. Sir William McCormick is chairman of the Committee, and its nine members are distinguished unofficial persons. The Committee disposes of an annual grant of one million, while during last year and the current year a large special grant has been made to assist the Universities to restore their pre-war activities. The Universities receive from the Committee "block grants," over the use and application of which they have full discretion. There is therefore no question of the Treasury or the Board of Education tyrannising over the Universities. This Report gives a bird's eye view of the University system of the country. There is, alas, little system in the picture. It is a story of a brave struggle to realise the highest ideals of education in despite of poverty. University teachers in general are overworked: most of them are underpaid: their status is unsatisfactory:

superannuation schemes are defective: apparatus, buildings, libraries and hostels are insufficient. The Report contains interesting suggestions as to how the many deficiencies may be made good. The best help of all is that of the private benefactor.

Cmd. 1263 is a bulky blue-book containing a mass of various details regarding the Universities, the compilation of which is in itself a great benefit for education. It contains all the facts.

The Railways Bill, a fat little booklet costing 9d., is the Government's constructive alternative to the Labour policy of Nationalisation, and the most formidable item of the year's legislative programme. Along with the Bill the Ministry of Transport has issued an admirable explanatory memorandum. In these two documents the foes and the friends of Nationalisation may see how far the Government's proposals diverge from their views. The essence of the proposals is a measure of consolidation of interests and a combination of fairly thorough regulation of semi-public monopolistic undertakings, with security for these undertakings. The Ministry, with the help of tribunals for amalgamation, rates and certain other questions, will stand between the Companies and the public in the interests of Economy and Efficiency. The innovations of principle which the Bill contains and its mass of detail promise a contentious Committee stage to which the public will not be indifferent.

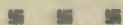
Parliament has made itself responsible for finding £100,000 to be spent in the next few years in promoting research in and on behalf of the smaller and poorer colonies, the work of apportionment being entrusted to a small committee of which Sir Halford Mackinder, M.P., is chairman. Investigations upon sponges in the Bahamas have been instituted: forestry and mining experts are being sent to British Honduras to examine various questions: the prospects of developing wine-growing in Cyprus are being studied: a mineralogical survey of the Leeward and Windward Islands is under way. More interesting perhaps than the undertakings of the Committee are the elaborate replies from various colonies to Lord Milner's request to them for an account of the situation as regards research in each. The sums expended and earmarked in the first two years of the scheme are not a fifth of the total grant. In course of time the scheme is likely to prove very useful as a means of promoting research and of making the results of research readily known and applicable.

THE MONTH'S REVIEWS.

IN *Money and Money's Worth* (The St. Catherine Press, 2s. net) Mr. F. Y. Walters has made a most successful effort to bring the abstract theories of economics into close touch with the realities of everyday life. He has himself grasped the all important fact that the science treats of men as they are, not as they might be if the idealist could realise his best hopes. He reminds the theorists that it is with the world as it was with the guests at the Queen's croquet party when Alice complained to the Cheshire Cat—"You've no idea how confusing it is all the things being alive." The author sets out (and we think he will succeed with the majority of those who honestly seek an explanation of the difficulties encountered by the ordinary man) to show how real wages can be raised—to distinguish between the false and the true theories as to where wages come from—and he does this by explaining in simple language the main facts concerning the relation of capital, wages, strikes, industrial organisation, the monetary system and a lot of other things, to the real welfare of the working-man.



The book is primarily valuable to the enquiring wage-earner, the man who, "discontented with his lot, will go on striking so long as he believes that he gets some advantage from a strike." "If," the author claims, "you can convince him that a strike, whatever its result, is like a boomerang, and will only do harm to those very interests which . . . he is concerned to promote, you will really have done something to use knowledge as a 'rich storehouse for the relief of man's estate'." That it has some message for the capitalist employer too is evident from the following noteworthy paragraph:



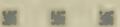
"One reason why Labour does not take more seriously the reiterated call for increased output is based upon its exaggerated view of the share of manual labour in production. Men who are obsessed with the idea that 'labour,' in the narrowest sense of the word, is the sole cause of wealth, naturally regard the call for increased production as a demand for more strenuous effort from manual workers; and a good many employers seem to incline to the same belief. This idea

. . . is due to ignorance ; but . . . the blame in this particular instance may be justly laid upon the whole nation. *Labour is neither the sole, nor the principal agent in the increase of wealth. The most important factors in the vast increase of wealth in the modern world are invention and organisation.*"



The following extract from *General Motors*, an official organ in the United States, quoted by Mr. Walters as witness to the truth of his gospel, is worthy of a prominent place in the school, the office, the workshop, or wherever young people are to be found.

"I am the foundation of all business. I am the fount of all prosperity. I am the parent of genius. I am the salt that gives life its savour. I have laid the foundation of every fortune in America, from Rockefeller's down. I must be loved before I can bestow my greatest blessings and achieve my greatest ends. Loved, I make life sweet and purposeful and fruitful. I can do more to advance a youth than his own parents, be they ever so rich. Fools hate me; wise men love me. I am represented in every loaf of bread that comes from the oven, in every train that crosses the continent, in every newspaper that comes from the press. I am the mother of democracy. All progress springs from me. Who am I? What am I? I am WORK."



Names, at christening, may be unimportant things, but the ideas that grow around them and gradually become inseparably associated subsequently lend them an influence which may, on the one hand, enhance an object far beyond its intrinsic merit, or, on the other hand, act as a fence effectually concealing from the public view the true worth of the thing behind. It is because we are so easily attracted or repelled by mere names that one hesitates to bring out too quickly the title of Mr. Basil Yeaxlee's little book on education;—*Working out the Fisher Act*, (Oxford University Press, 2s. net). This is not a book primarily for the specialist—the school teacher and the local authorities: it is a book for all people whatever their interests or responsibilities. Mr. Yeaxlee has visualised all that continued education means to the adolescent, both during youth and in later life, and by a simple narration of the scope of the Fisher Act and a comparative summary of the best and of the weakest plans so far submitted by the various

Local Authorities, he contrives to make his readers realise—if they have not done so before—the wonderful possibilities for increased happiness, greater wealth and greater welfare, that the provisions of the Act imply, and to enthuse them with a sense of personal responsibility for the carrying out of all that is best in the Act.

The book is particularly well arranged and indexed so that the ambitious "young person," the parent, the employer, the employment exchange official and the local authority can readily pick out those parts with which they are especially concerned. Each can readily acquaint himself both with the responsibilities which the Act imposes upon him, and also with the rights that accompany the fulfilment of the duties. But the work is quite short and the average man or woman who is not totally devoid of a "social sense" will find too much pleasure in its reading to confine himself to this or that chapter.

Above all things, Mr. Yeaxlee is practical, and he takes care to show us that the fullest application of the Fisher Act entails only a comparatively moderate expenditure, for which the return to this country will be a thousandfold. Even this moderate expenditure will entail sacrifice upon the taxpayer, the employer, and the parents in working-class homes. But when we think of the harvest, "Dare we," Mr. Yeaxlee asks, "compare this with the sacrifice that both our forbears and our contemporaries have made for us? The Statute Book and the Cenotaph, our education and the ideals wherein we were nurtured all bear witness to these things. *Noblesse oblige.*"

THE BUSINESS MAN'S VIEW. VIII.

(These articles consist of a series of extracts from the reports of Company Meetings, grouped to give the reader an opportunity of studying the effects of the many conflicting currents that go to make or mar commercial enterprise. Though these reports, giving as they do only the managers' point of view, cannot be considered to cover the whole field, they may, nevertheless, provide a valuable commentary on a good many aspects of the question as to the ways and means by which the nation does, in fact, secure its livelihood.)

Competition in Industry.

FACTS contained in Sir W. George Watson's speech at the Twenty-third Annual Meeting of the Shareholders of The Maypole Dairy Company form a strong plea in favour of competitive industry. We are already familiar with the welcome fall in butter and margarine prices, the reasons lying behind the fluctuations are to some extent explained by Sir George Watson's account of the actual course of events in this particular industry. To ensure supplies for all its factories, this Company has to purchase raw materials in the countries of production equivalent to at least 30,000 tons of crude oil. It takes from three to six months after purchase before these raw materials can be distributed to the consumer in the form of margarine. On the outbreak of war the market price of crude oil was £37 a ton; by the end of 1919 it was £100 a ton. During 1920 the price fell again to £70.

Now, Sir George Watson points out, when food was controlled in this country, and the Food Ministry bought food products (butter, bacon, sugar, lard, wheat, etc.), from distant foreign countries, they protected themselves from loss when markets fell by forbidding private traders to import. This policy stopped competition and enabled the Government to maintain the price to British consumers, and so helped the Food Ministry to liquidate some of their dear purchases without loss. But under free competitive conditions selling prices have to be largely based on the cost of replacement. Private traders cannot keep up prices to consumers.

Having demonstrated the impossibility, under free competition, of keeping prices up—a fact entirely beneficial to the consumer—the Chairman illustrates from his own company's business, fundamental facts concerning wages. The Govern-

ment, it is pointed out, have now fixed minimum rates of wages in many trades. That willing and able-bodied men and women should be protected against "sweated" conditions in industry is necessary and entirely good, but Sir George Watson is of opinion that unless these minimum rates are made subject to the rise and fall in the cost of living, they must, in bad times, increase the volume of avoidable unemployment. "Labour must be well paid when the cost of living is high, but if demand falls off and food and commodity costs fall, the worst enemies of Labour will be those who prevent a man from taking work at a wage which an employer can afford to offer him." The Chairman illustrates his point with an apt example. "Recently," he said, "most traders have been caught with heavy stocks of dear goods in a falling market. It would be considered by these traders an unfriendly act if they were forbidden to sell their stocks at the low price which the buyer can now afford to pay."

The Maypole Company have already had to consider the advisability of closing down some departments in their factories, as foreign manufactured oil, margarine, etc., can be bought at a lower price than it can be manufactured in this country. But the Chairman considered that under present conditions every employer should endeavour to keep his works running and not increase unemployment by closing down or refusing orders on a question of price until after he has explained the position to his employees and ascertained if they will co-operate with him to keep things going by working for a wage commensurate with the best price he can obtain for his orders. "If an employer takes orders at unprofitable prices, without the aid and co-operation of his employees, it will eventually end in his bankruptcy or the unemployment of his workpeople by the closing of his works. . . . It must never be forgotten that economic laws are all-powerful, and no Government or federation of employers or employees can permanently ignore or overcome these natural laws."

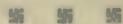
Other facts of interest in the report are that the Company had in the past year a turnover of £36,500,000, and the profit shown on the balance-sheet represents less than 3 per cent. net profit on this turnover. The profit per pound on goods sold averaged a farthing.

There are, of course, at least two sides to every question, and Sir George Watson is here concerned only with the

advantages of competition. Bitter experience has already taught us that so-called free competition has its advantages both for employers and workmen. So-called economic laws, moreover, are not always universally true. Their operation is conditioned by circumstances. Free trade as a principle is unassailable. But free trade as a fact to-day is impossible. Free competition as between traders or as between employers and employed is equally mythical. The conditions of free trade and free competition can only be obtained by protective legislation. But Sir George Watson's experience and convictions are worth our careful consideration because they emphasise the value of the principle of competition at a moment when pressure is being brought to bear to sweep the old system right away. "Private traders," Sir George Watson says, "cannot keep up prices to consumers under free competitive conditions. This is a great advantage to consumers, and it is for this reason that I consider the Government should, in the interests of the public, devote their legislation to encourage competition. I think it is a mistaken policy to press railway companies or other traders to amalgamate and so obtain a monopoly and eliminate competition. Competition will always be the best protection of the interests of the consumer, whereas monopoly encourages extravagance and prevents initiative, efficiency and progress." Absolute monopoly in any shape is a danger to be guarded against, and among its many forms are nationalisation of the means of production, international rings amongst traders and manufacturers, and the "One Big Union" of Labour. These things are not, as many would have us believe, the alternatives to a wasteful policy of cut-throat competition for an unknown market. More knowledge amongst manufacturers and traders as to the size of the market; more knowledge amongst wage-earners as to the conditions on which their livelihood depends and as to the true relation of their wages to their work; judicious legislation to protect the interests of all in home and foreign markets, and the interests of the workers where they appear to clash with those of their employers; these are the true alternatives to the evils that have arisen from the erroneous belief that free trade and free competition meant effort unchecked or unaided in a world where the competitors in the struggle were already severely handicapped.

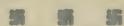
FOOD FOR THOUGHT.

Such an avalanche of figures and such a flood of calculations have descended upon and inundated the country during the ten weeks that the coal stoppage has now lasted, so many blind alleys labelled "This way out of the maze" have been traversed that the more permanent landmarks are in danger of being lost to sight. At a time like the present it is well to remind ourselves of those broad and outstanding features of the general situation which contain no element of doubt and which admit of no contradiction.



Pieces on a chessboard lend themselves to an almost infinite number of combinations and permutations, but not even Señor Capablanca can wizard away or dispense with the ultimate limitations imposed by the chequered arrangement of sixty-four squares equal in size, eight in a row and alternating in colour.

Similarly there is a wide range of latitude for negotiation and compromise within the four corners of the coalmining dispute, but there are certain fixed data and certain current facts which, in the long run, must govern the situation. For the most part the prospect as seen in this light is not reassuring. Let us recount a few of these limiting factors.



There are more men employed in the mines than ever before and they work shorter hours. Our export trade is in a state of suspended animation, and in spite of the *Daily Herald's* inspired discovery that Germany prefers English to American coal, there is no certainty that the trade can be recovered. Meanwhile it is all too probable that our industrial requirements will be greatly reduced in the immediate future, and the price of coal has reached a figure which, if maintained, must paralyse manufacturing industry. For the time being profits are non-existent, and the attempt to fix wages on an economic basis brings the whole industry to a complete standstill. The productive power of the country at the end of 1920 was about 80 per cent. of what it was in 1913, that is to say, the *real* national income available for all purposes is 20 per cent. less than it was before the war. Public expenditure has necessarily increased, and it is obvious, therefore,

that individual (real) incomes available for personal expenditure must be reduced by more than 20 per cent. *on the average*. If some incomes escape this reduction a correspondingly greater loss must fall upon sections of the community. Those who speak for the miners insist that the standard of living which obtained in 1914 must on no account be reduced. They show no disposition to persuade their clients to improve output by reverting temporarily to the eight hour day nor to denounce the growing tendencies towards absenteeism and methods of *ca' canny*.

■ ■ ■

For every man and boy employed in the mines there are more than ten who are engaged in other branches of industry—yet the majority of workers (whose standard of living would infallibly be worsened if the miners should succeed in exacting from the nation a higher wage than the coal industry can provide on an economic basis) are throwing their weight into that side of the scale which, if overloaded, would react detrimentally upon their own interests. If this attitude was founded on pure altruism it would be splendid, but unfortunately a failure to grasp the essential features of the dilemma, not self-abnegation, is the determining factor in the minds of the many. The writing is on the wall, but false prophets persist in misinterpreting its meaning, and the tragedy of the situation is that only a garbled version of the realities of the case reaches the ears of the mass of the rank and file.

■ ■ ■

Last month, in these notes, we drew attention to the fact that the index numbers published monthly in the *Labour Gazette*, by reference to which the increase in the cost of living is so generally measured, are based, not on the weekly expenditure of an *average* working-class household, but on the budget of a more arbitrarily selected family. Our complaint was not directed against the accuracy of the index numbers which no doubt are correctly deduced from the particular evidence investigated and in accordance with the formula adopted. The object of our argument was to point out that only figures collected '*ad hoc*', calculated on the broadest basis and relating as closely as possible to the actual state of affairs now existing, are adapted for the delicate task of determining the level of wages. Consequently we deprecated the use of the index-numbers for this purpose.

■ ■ ■

One might have thought that so obvious a contention would commend itself in all quarters and that nobody could possibly take umbrage at the suggestion that an index number based on the necessary weekly expenditure of a married couple with two or three children cannot properly be applicable to the case of a single man with only one mouth to feed. Such, however, is apparently not the opinion of Sir Leo Chiozza Money, from whom we have received the following typical ebullition—

To The Editor of "Industrial Peace."

SIR,

Under the heading "Food for Thought" in your issue of May, you publish three pages on the Ministry of Health (late Board of Trade) cost of living index number, which are as remarkable for their misrepresentations as for their misapprehensions of the meaning of the computation. Your statement that in 1904 the Board of Trade examined "not a very large number" of family budgets is a falsehood. The number was nearly 2000—a number not only large but, as any statistician could tell you, amply sufficient for sampling.

For the rest, you indulge in the absurd contention that measurement now should take account of changes in habits, economies, etc. In other words, if a working family economised as wages were reduced until it lived in the open air and existed on potatoes, the index number wou'd gravely record *no increase in the cost of living!*

Finally, you print some irrelevant matter relating to basing the calculation upon individual earnings and not upon a family budget. But suppose two thousand single men's budgets had been taken before the war, the proportions of expenditure obtained, and the subsequent increases in the cost of each item noted. The probability is that such a method would have shown quite as great, or nearly as great, an increase as in the family budget.

The truth is, of course, that your article fails to convey to your readers that the Ministry of Health (late Board of Trade) cost of living index number shows:—*The average increase or decrease in the cost of maintaining unchanged the pre-war standard of living of the working-classes, irrespective of whether or not that pre-war standard was adequate.*

That is to say, the figures do not seek to show what a working-class family ought to receive in wage, and they do not refer to any ideal standard of life, high or low. They show how the cost has risen of maintaining the standard which actually existed in 1914. That standard all competent observers declared to be too low.

It seems unfortunate that instead of interpreting the matter to your readers you should use three pages signally to mislead them, but that is I am afraid, a process to which you are becoming accustomed.

Your obedient Servant,

(Signed) LEO CHIOZZA MONEY.

It is, we suppose, unusual for Editors to provide a vehicle for the abusive excursions of angry correspondents, but as Sir Leo Chiozza Money sends his letter "for favour of insertion in your next issue" and seems to be anxious to brighten these pages by giving an exhibition of what to avoid in the art of letter-writing, it is not for us to disappoint him.

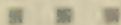


We try to approach our work with as impartial an outlook as we can command and to deal dispassionately with the problems of the day, no doubt with limitations, but nevertheless to the best of our ability. We are not perturbed, therefore, by the assault of this bellicose and not too well-mannered knight, whose cocksureness is so swift in ire, so prone to error.



The letter which we have quoted is not worth refuting in detail. Its face value is not high, and we shall be content if our readers appraise it at that, whilst if they are sufficiently interested to go further and compare the letter with last month's "Food for Thought" they will observe for themselves with how much diligence Sir Leo Chiozza Money throws sticks at Aunt Sallies of his own manufacture. There are, however, a few points to which attention may be called, not indeed on the strength of their own merits but because they may help to elucidate the general situation.

Our critic has strong views on the question as to what constitutes "a very large number" and designates as "a falsehood" the imputation that two thousand (or more accurately 1944) does not necessarily belong to that category. We take leave to remind Sir Leo Chiozza Money that the magnitude of numbers is relative, not absolute. Two thousand grains of sand would be considered a very large number if found by an analyst in half an ounce of sugar, but they would be nothing "to write home about" if discovered on Brighton beach. Two thousand families out of some ten millions is one in five thousand, and one does not seem to us to be a very large number in that relation.



The "absurd contention" referred to in the second paragraph of the letter was as a matter of fact the method adopted by the Australian Government, and as that enquiry was based on "reasonable standards of comfort," it is merely silly to talk about open air and potatoes.

The statement that the budgets of single men would show "quite as great, or nearly as great," an increase as in the family budget is an admission which condemns itself, for if this is the result arrived at by applying the formula to the case of the single man, it follows that the formula leads to a "reductio ad absurdum." According to Mr. Frank Hodges, miners' wages on March 31st, 1921, were 163 per cent. over the pre-war level. At that time the increase in the cost of living was estimated at 133 per cent. If, therefore, a single man received 30s. a week and paid out 15s. for board and lodging in 1913, he would have in hand a margin of 15s for clothes, etceteras and pocket money. In March, 1921, his wages would be 79s. (163 per cent. up), his board and lodging would be 35s. (133 per cent. up) and his margin would be 44s. (200 per cent. up).

If a corresponding calculation were made in the case of a married man with three dependent children, there wou'd be no margin worth mentioning (after clothing his family) at either date—and it is evident that one and the same index number produces entirely different results, and those of a very practical nature, if it is applied indifferently to single men and to fathers of families. Of course if the formula is merely a theoretical exercise it isn't worth worrying about, but if it is to have any bearing on the realities of life it is in need of revision. Further comment would be superfluous, and we can leave it at that.



DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry.)

May

1st.

The Ministry of Labour index number records a fall of 8 points in the cost of living during the month (the figure is now 128 per cent. above that for July, 1914).

During April, some 1,147,000 workpeople sustained changes in their wage rates equivalent to a total decrease of over £270,000 a week. Over 18,000 received increases amounting to about £2,700 a week.

98 disputes directly involved 1,200,000 people in idleness and caused a loss of 24,000,000 working days. Of those idle, 1,150,000 were in the mining industries, and 10,000 in the shipbuilding trades (joiners and carpenters).

Unemployment in Trade Unions rose to 17.6 per cent. at the end of April and to 15 per cent. among the insured trades. Employment Exchanges registered 1,854,000 as unemployed and over 1,000,000 as working short time.

2nd.

Mr. Edward Fimmen, Secretary of the International Transport Workers' Federation, assured Mr. Robert Williams that Dutch, French, Belgian, German and Austrian workers will take steps to prevent the export of coal to Great Britain.

3rd.

The Parliamentary Committee of the T.U.C., the National Executive of the Labour Party and of the Parliamentary Labour Party issued a manifesto calling upon Labour to give the miners their full moral and financial support. The relief fund amounts to £31,000.

The Yorkshire miners have accepted from the A.F.
loan of £50,000 for six months, free of interest.

4th.

The railway companies and the railwaymen represented by the N.U.R., the Associated Society of Locomotive Engineers and Firemen, and the Railway Clerks' Association, have signed an agreement providing that when the railways are decontrolled joint councils of officials and elected employers shall be formed to deal with various questions on the principles of the Whitley Report. The men will forgo their demands for representation on Boards of Directors and will instead, work on the lines laid down in Clause 16 of the Whitley Report. The agreement provides that the Central and National Wages Boards can only be terminated by 12 months notice, not to be given before January 1st, 1922.

5th.

The officials of the Miners' Federation, in response to suggestions made by members of the House of Commons, have intimated their willingness to accept the ruling of an



impartial arbitrator on the question of the current rates of wages, leaving the outstanding questions to be settled after a resumption of work. They suggest Sir Arthur Duckham as arbitrator.

The Catering Men's Union have refused to accept the award of the National Maritime Board which has been accepted by all other classes in the Mercantile Marine. The Transport Workers' Federation endorse the refusal and have offered to support the union in any conflict.

6th. Coal Dispute: The idea of neutral arbitration is unacceptable either to the Government or to the owners. The former declare that their offer of £10,000,000 is final and will only remain open for a short while. The latter affirm that they would not take part in any enquiry into the merits of a national pool nor would they accept the findings of such an enquiry.

The National Wages and Conditions Council for the building trade have agreed upon a reduction of 2d. per hour in the wages of craftsmen and labourers as from May 16th. The agreement applies to England, Scotland and Wales, and is the first to be negotiated on a national basis. The Council will meet again on May 21st to consider the effect of the reduction on the lower paid districts and other questions.

The Federation of Master Cotton Spinners have given notice to the operatives' unions of their intention to reduce wages one month hence by an amount equal to about 6s in the pound. Piece rates are at present 215 per cent. above the standard list. The masters propose a reduction of 95 per cent.

7th. Lord Weir sent a concise statement of his new proposals for a permanent settlement of the coal dispute to the Government, the mine-owners and the miners. In his opinion a solution can only be found by first determining how coal can be produced in this country at a price which will command the foreign market. Thereafter wages rates can be dealt with.

9th. Glasgow Dockers and railwaymen are creating a serious situation by their refusal to handle sea-borne coal, whether home or foreign, and whether intended for industry or for public utility services. An attempt is being made to force general strikes in these two industries.

The Electrical Trade Union has called out all members employed by the National Federated Electrical Association and the Shipbuilding Employers' Federation as a protest against suggested wage reductions.

As a sequence to a raid by the police on the headquarters of the Communist Party, the secretary, Albert Samuel Inkpin,

was remanded on a charge of having unlawfully procured the publication of seditious literature. The work objected to was "Theses of the Communist International," printed by the National Labour Press.

10th. The Executive Council of the Transport Workers' Federation met to consider the developments in Glasgow, and decided to take steps to obtain the support of the Railwaymen in making more effective the embargo on "coal likely to defeat the Miners' Federation." Eight railwaymen were suspended by the Caledonian Company for refusing to move sea-borne coal unloaded by volunteer labour. Coal-owners are putting up posters showing the wages offered in the various districts and suggesting that the men should ballot on the offer.

11th. The Board of Trade announced that the Government has made arrangements for the importation and distribution of coal for essential purposes. Mr. Robert Williams stated that the Transport Workers will not handle any sea borne coal, whether for essential services or not.

12th. Sir Charles Macara advises the miners to accept the Government's offer of £10,000,000, and in the event of failure to secure a settlement within two months of the resumption of work, to state their case before a body similar in composition to the Industrial Council.

It is announced that the Aquitania will sail to-morrow despite the strike of 600 stewards. Between three and four hundred volunteers will take their places.

The Locomotive Engineers' and Firemen's Union are instructed by their executive not to work trains carrying "blackleg" coal.

The Glasgow and West of Scotland District Council of the N.U.R. announce their intention to strike to-night to enforce the reinstatement of men suspended for refusing to handle coal.

Mr. J. H. Thomas received a hostile welcome from Sinn Feiners on his arrival at New York.

13th. Cotton Industry: The operative spinners decided to accept the proposed reduction of 30 per cent. in their wages.

The N.U.R. instructed their members not to handle imported coal, nor coal touched by "blackleg" labour.

Glasgow railwaymen, after communicating with the N.U.R. Executive, reversed their decision to strike last night.

14th. The Union of Post Office Workers at their annual conference in Edinburgh passed a resolution to work for "the organisation of Post Office workers into one comprehensive industrial union with a view to the service being conducted and managed as a national guild."

The 30th annual Conference of the National Union of Clerks met at Scarborough. It was announced that the 160 delegates represented 35,000 members; that 36,000 memberships had lapsed and that the Union had pledged all its securities. The President, Mr. Henry Lloyd, said that the clerk-to-be would demand a share in the management of the office or industry of which he formed a part.

16th. Mr. J. McGurk strongly advised the miners to drop the demand for a National Pool.

17th. A district secretary of the Electrical Trades Union was summoned at Wandsworth for committing an act calculated to cause disaffection among His Majesty's Forces by expelling two members from the union because they joined the Defence Force. The hearing was adjourned for the Union to consider whether they would reinstate the men.

Lord Londonderry puts forward a scheme for the amalgamation of coal undertakings with a view to organising the industry more efficiently.

18th. Under the protection of a strong force of police and marines, 1,400 volunteers are unloading ships in Glasgow docks.

The New South Wales Parliamentary Labour Party has approved a draft bill for the endowment of motherhood at an annual cost to the State of £1,600,000.

19th. Sir Henry S. Keith submitted to the Prime Minister a scheme for the payment as wages to the miners of such sums as are adequate to maintain or improve the pre-war standard of living.

The Operative Cotton Spinners' Amalgamation have decided to ballot on the question of whether they will cease work rather than accept a reduction in wages of 6s in the pound.

The Secretary of the Communist Party, Albert Samuel Inkpin, was again charged on remand. It was shown that between February 11th and April 30th, £2,781 was paid by the Party to the Labour Press for printing only. Records in the minutes of the Society refer to "the large sum of money which comes from abroad." Accused was allowed bail, sureties of £500 each being found by Mr. George Lansbury and Mr. B. Langdon Davies.

20th. Mr. Herbert Smith, acting president, and Mr. Hodges, secretary, of the Miners' Federation, having accepted Sir D. Readett-Bayley's invitation to meet and confer privately at his house near Filey on the 18th and 19th, proceeded to Nottingham to meet Sir D. Readett-Bayley as an informal representative of the coal-owners. Subsequently Mr. Hodges announced that the Miners' Federation will be convened

as soon as the Prime Minister invites the parties to a conference.

24th. The National Chamber of Trade passed a resolution that Parliament be urged to protect this country from the irreparable injury done by strikes by legislation, on the lines of the Canadian Industrial Disputes (Investigation) Act.

The President of the United Vehicle Workers' Union announced that the ballot of the London Tramwaymen was against a strike. The figures were not disclosed.

700 Shropshire miners resumed work at the Kemberton Collieries.

25th. Mr. Lloyd George invited the executives of the Mining Association and the Miners' Federation to a conference on May 27th at the Board of Trade.

Joiners employed at Messrs. Foden's motor works, Sandbach, continued their work in spite of instructions from the Joiners' Union to withdraw unless wages were restored to their original level.

All the cotton operatives' unions decided to unite in action to oppose the proposed 30 per cent reduction in wages.

Glasgow dockers decided to resume work on condition that there should be no victimisation and no non-union labour employed.

27th. Conferences were held between Mr. Lloyd George and the coal owners' and miners' executives.

28th. The Prime Minister submitted a further scheme for the settlement of the coal mines dispute. It is proposed that a National Wages Board or a Tribunal of three persons, or a single arbitrator, should be appointed to determine wages throughout the industry.

29th. The G.E.R. brought into service 50 railway engines by converting them for use with oil instead of coal fuel.

30th. Mr. Lloyd George denied that he had stated at Saturday's conference that the Government would resort to compulsory arbitration. Mr. John Hodges declared that the miners could never accept the dictates of a compulsory arbitrator.

At a meeting of the National Wool and Allied Textile Industrial Council, the employees proposed the continuance of the present agreement for twelve months. The employers rejected this proposal and a further one that a joint committee should be appointed to enquire into the position of the textile industry and the incidence of wages. Two hundred and fifty thousand workers are affected.

31st. The railwaymen and transport workers have withdrawn their embargo on imported coal.

Miners' district executives are voting against acceptance of the Government's proposals.

I.P." STUDY SCHEME.

Paper No. III.

Each question must be answered on a separate sheet of paper.

Candidates must write their name and address on the top right-hand side of the paper. All the sheets should be numbered consecutively and fastened together.

Answers should be as brief as possible, and no single answer must exceed 750 words.

All answers must be received by The Secretary, "I. P." Study Scheme, at 20 Magdalen Street, Oxford, not later than June 30. To facilitate correction, candidates are asked to send in their answers as early as possible.

The first question is based on *The Economics of Everyday Life*, the three remaining on *Social Economics*.

1 Distinguish between interest and profits and show how the amount of each of these forms of income is determined.

2 Consider the view that rationing was the inevitable consequence of price control during the war, and in this connection compare the cases of sugar, coal and house room.

3 Discuss the possibilities of Joint Industrial Councils. To what extent do they meet the claim for 'joint control,' put forward by some workers?

4 Examine the main features of the so-called competitive system.

NOTE.—There can be no further extension of time granted.

Answers must be received here not later than June 30th.

The names of successful competitors, together with the paper for the fourth test will be published in the August number of *Industrial Peace*. All candidates will receive a copy.

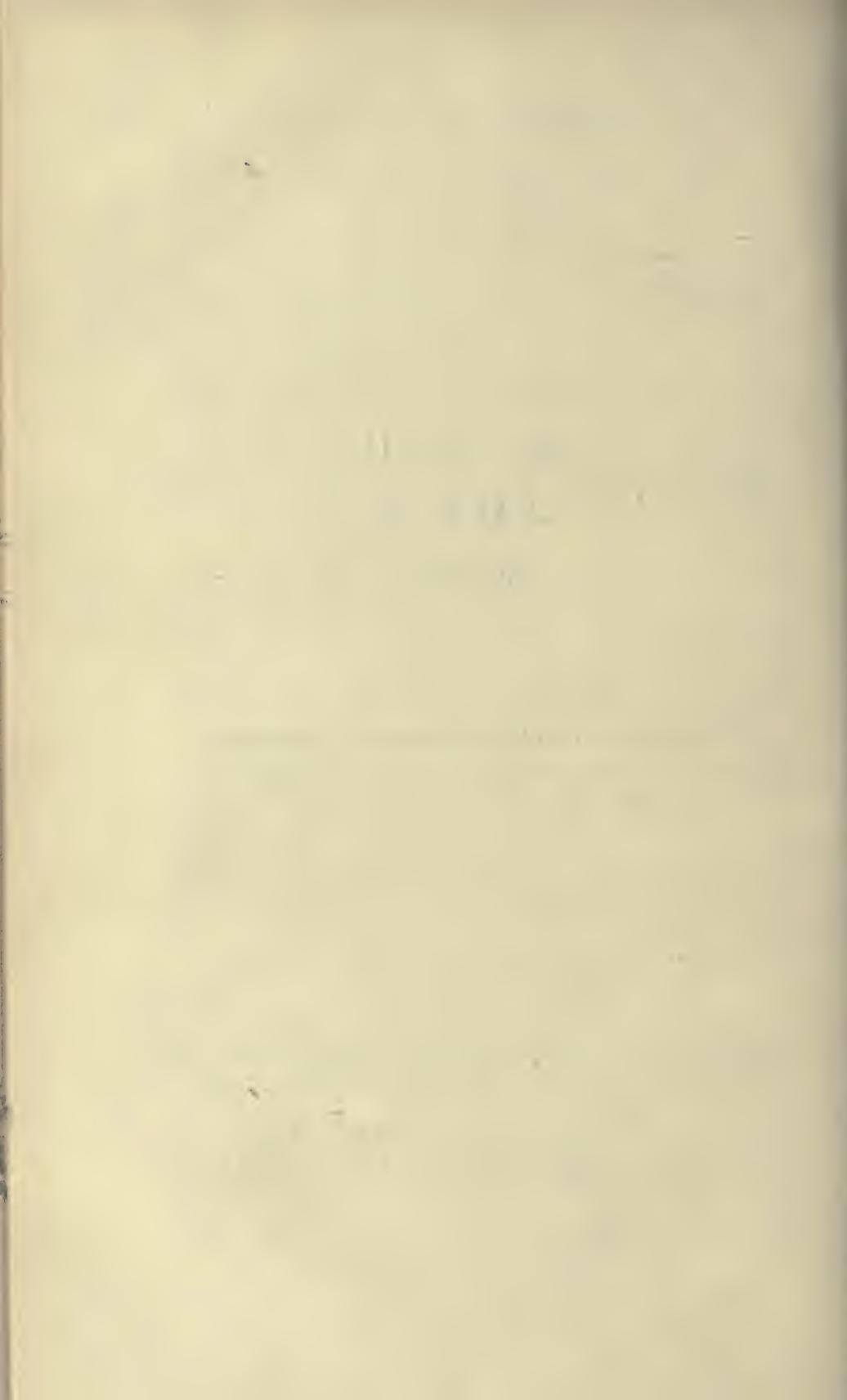
No. XLVII

J U L Y

MCMXXI

"There is a budding morrow in midnight."

Keats.



INDUSTRIAL PEACE

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- Food for Thought**
- Day by Day**
- "I.P." Study Scheme**

INDUSTRIAL PEACE

THE TURN OF THE TIDE?

THE second stage in the post-war industrial history of this country has come to an end. The first may now be called the period of the great illusion, the second has been one during which the realities of the situation were laid bare. The transition to the third period is marked by the settlement of the coal dispute (or, perhaps more correctly, the nature of the settlement) and the fall in the Bank rate. The connection between the two facts is closer than is generally supposed.

The future is uncertain, though not necessarily dark. It may profit us to consider the salient features of the first two stages of industrial development since the war and to enquire whether they indicate any probability for the immediate future. During the Armistice the unexpected happened. Instead of severe depression following upon the cessation of orders for munitions and other essentials of war we witnessed an unparalleled boom in trade, though not in foreign trade. There was a large vacuum at home to be filled, so large that manufacturers accustomed to look abroad for orders found them in super-abundance at home, and could afford, for the moment, to neglect their foreign customers, many of whom, in any case, were not yet ready to resume business. The spurt given to trade reacted upon the financial situation. Costs had gone up during the war and more commercial capital was necessary to finance a given volume of trade. The banks came to the rescue. Not only were they desirous of assisting in the recovery of industry and trade, but they found that the suspension (in practice though not in theory) of the convertibility of paper into gold, and the growing reserve in Treasury notes enabled them to expand their credits. The ease with which bank credit was obtained enabled manufacturers, employed in replenishing an empty and profitable market, to pay the advances in wages which were demanded, and justified by reference to the rapidly increasing cost of living. Justifiable optimism led to extravagant hope and reckless speculation, intensified by the action of those who were eager to get on quickly and get out before the deluge. It was not easy, however, for even the cautious to get out. The pace was set for them, not by them. Not to follow was hardly less dangerous than to follow closely, and the danger

was more obvious. The thoughtless took it for granted that war meant wealth, not poverty. During the period of illusion wealth and money were identified, and speculative activity was confounded with prosperity. The same things were measured in steadily increasing money terms, and the demands upon banks grew in similar proportions, until they involved a strain upon the latters' resources. Endeavouring to relieve the strain, they began to call in loans and to refuse further accommodation, and manufacturers and merchants were faced with a new problem. The production chain is fairly long, and goods are made in anticipation of requirements. For some time all that could be made was quickly absorbed, but when the home market was fairly well stocked the warehouses received more than they sent away. The producers in exporting industries were once more compelled to turn to their foreign customers, and found that the costs which they had cheerfully borne necessitated prices prohibitive to the latter. Their stocks grew, and they found themselves unable to meet the calls of their bankers, their difficulties were repeated in dependent industries, and in a short time the boom gave way to a slump; the industrial organism sagged. Optimism was followed by depression of spirits as well as of trade, and the depression of spirits intensified that of trade. Thus we entered upon the second stage.

This stage represented the rebound from the speculative boom which preceded it. Financial stringency and industrial depression were to be expected, even if other nations had recovered as quickly as Belgium and Great Britain. But the depression was accelerated and intensified by political and economic difficulties abroad, which made it impossible for many foreign countries to buy what they required. The contracted foreign market became the venue of intense competition between exporting States; and in this we found ourselves at a disadvantage as the result of the fact—hardly recognised but immensely important—that the internal currency of this country had been inflated to an extent that was not fully reflected in the external value of sterling. Industrially it was reflected in the high cost of manufacture as compared with costs in other countries. Hence the need for deflation. But deflation is always a difficult matter to achieve. The Treasury over-reached itself, and made the process too rapid and too thorough, thus intensifying difficulties which, in any case, were bound to be serious. Industrially

the deflation process took the form of an apparent attack on wages, first in those industries, such as coal, textiles and engineering, which relied largely upon the export market. Reductions have been secured, in some cases after severe struggles, in others by ready agreement. Costs have thus been reduced, less commercial capital is required to finance a given volume of trade. For the moment, too, the volume of trade is less than the normal, and stocks are being slowly dissolved. The strain on the banks has thus been relieved, credits have been reduced, the official Bank rate has fallen, and discount rates are easy. We are by no means through the wood, but we should be rid of the thorny undergrowth which has hitherto made progress difficult. On the one hand we have come to realise the folly of maintaining a relatively favourable exchange rate by selling our investments abroad and negotiating loans, that is, of trying to live without paying our way as we go on; we have also witnessed, on the other hand, the results of rapid deflation. We need first to stabilise our currency, and secondly to enable that currency to command its proper value abroad, such value being based upon current trade. These ends appear to be in sight.

During the period of extravagance and fictitious prosperity the events in the world of industrial politics showed a similar tendency on the part of the Government and its servants to shut their eyes to realities. The Commission on Coal and dockyard labour legislated on the assumption that industrial conditions would remain unchanged. The Railway Agreement contained the same implication. The Court of Arbitration gave so called "prosperity" advances to engineers, as though industries were really prosperous at that time. But it was when the second stage arrived that hysteria was most pronounced. We recognised the illusory character of the prosperity of the first armistice year and the reality of the subsequent depression. We doubted the practicability of many of the measures which had been passed during the boom, and the possibility of improving the condition of the mass of the people except by means of greater effort. And so we have begun to sweep away what had been done. But the good is treated like the bad. Just as, during the boom, the ardent social reformers were left more or less masters of the field, so now the situation seems to be entirely in the hands of reactionaries. Perhaps the return to stable industrial conditions, when both wages and profits will be forthcoming for good and

useful work—and only for such work—will also witness a return to sanity in the field of industrial polities, and that measures will be properly tested, and receive the treatment they really deserve.

What of the industrial future? Is the present depression to fall into the same category as the short depression which followed the Boer War, to be followed in turn by a boom of unprecedented magnitude, and resulting in a further slump, like that of 1907-8? Or is it likely that the next few years will resemble those which followed the boom of 1870-73 (partly due to the Franco-Prussian war), when prices steadily fell, while trade grew in volume and profits were difficult though not impossible to earn? There is a superficial resemblance between the present decade and the seventies of last century. During the latter period the demand for gold greatly exceeded the new supplies, and there was a growing scarcity of currency. Similarly, during the next few years there may be a concerted effort to deflate European and other currencies, and prices will fall. But there are important differences between the two periods, due to the amount of devastation caused by the recent war. If central Europe—and particularly Russia—achieved stability, and were able to make a fresh economic start, the world would once more become a single economic entity, and prosperity might be quickly restored. But if Central Europe is to languish, the recovery of trade which our newspapers are already heralding will be short lived. Industry will move by fits and starts, and will not recover complete health. Thus the issues are largely political, but not entirely so. Under the most favourable political conditions the backward countries of Europe will need assistance by way of loans. If these are forthcoming it will be largely from this country, and they will probably involve some degree of inflation. A Treasury which has deflated too rapidly and to an excessive degree will need to retrace its steps though not, of course, by any means all the way. Industrial prosperity will be linked up with the policy of limited expansion, just as the present depression has been intimately connected with deflation. And extremists who believe that inflation without limit is a panacea for all industrial evils will once more command a following, through an appeal to a half-truth, which is the most serious form of error.

THE FACTS OF THE CASE IN DIAGRAM, XV.

MANY estimates have been made with the object of discovering the quantity and the price of the foodstuffs consumed weekly by British working class families at different periods. The usual method pursued in such investigations has been to collect a number of household budgets and, having struck an average between them, to exhibit the result as the normal diet-sheet applicable to all families of the industrial type. The value of this synthetic method of deducing the whole from an examination of the parts depends not only upon the accuracy of the data supplied by householders but also upon the extent to which the families selected for the test are truly representative of the class or classes that fall within the scope of the particular enquiry. The difficulty of arriving at a satisfactory conclusion along these lines is notorious, and it is obvious that a very slight error in the original evidence would grow to large dimensions by the process of multiplication.

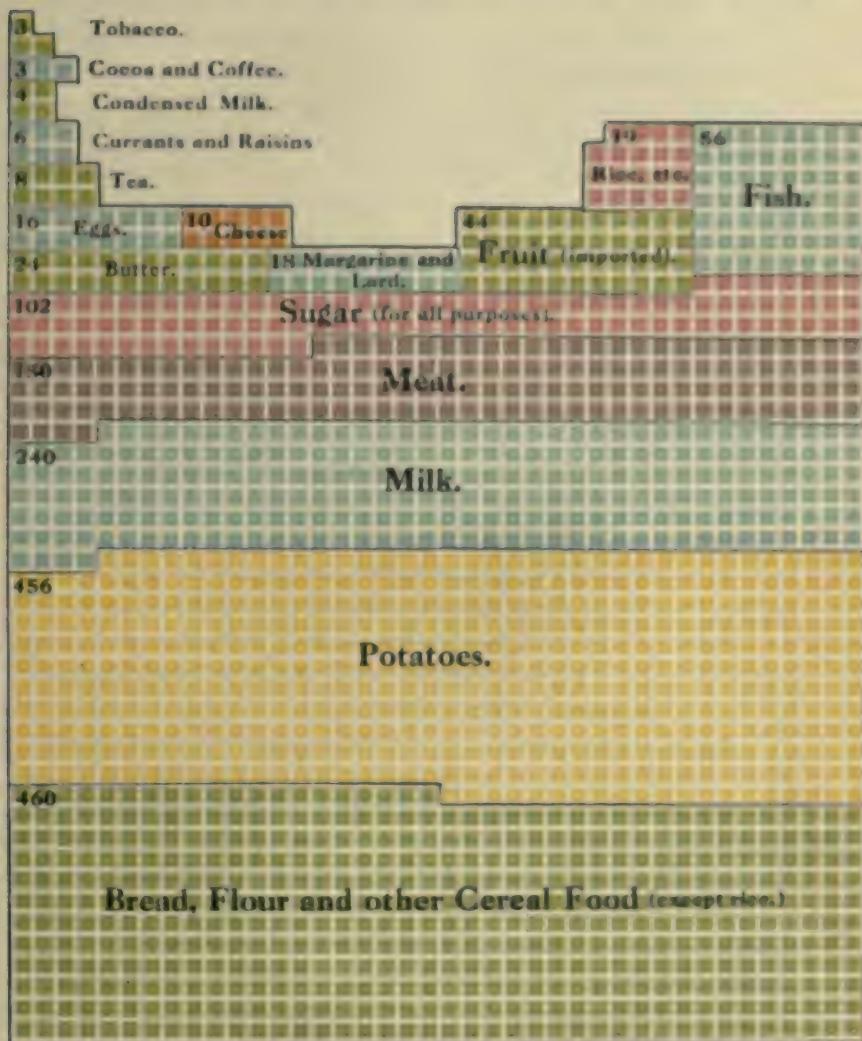
The diagram which we print this month approaches the problem from the other end; that is to say, the method of calculation adopted proceeds not from the part to the whole, but from the whole to the part. We have chosen 1913 as the most suitable year for our investigations as being the last annual period during which normal conditions prevailed.

The method employed in compiling the diagram may best be explained by a simple example. The Statistical Abstract for the United Kingdom published by the Board of Trade shews that in 1913 we imported 365,043,464 pounds of tea and exported 57,555,631 pounds. It follows that we retained for home consumption 307,487,833 pounds. Dividing this weight by the number of the population (45,713,370) we arrive at a consumption of six and a half pounds per head per annum. Six and a half pounds is 104 ounces a year or 2 ounces a week. As, therefore, our unit is a quarter of an ounce, the portion of the diagram allotted to tea consists of eight squares.

Unfortunately, the simplicity of this particular calculation is not often encountered. With most commodities a variety of factors intrude to complicate matters. In the case of bread, for instance, we have to take into account the pro-

DIAGRAM No. 27.

(Note.—The figures in this diagram represent the number of squares in each group.)



AVERAGE CONSUMPTION (BULK)
Of the principal Foodstuffs, etc., per head per week in the
United Kingdom in 1913-14.

Scale: each square of colour represents 1oz. avoirdupois.

portion of imported corn, imported flour and home-grown wheat. We have to allow for the reduction in bulk by the removal of bran, etc., in the milling process and for the increase in weight of the loaf as compared with the weight of the flour from which it is made. In the case of fish no statistics are available as to the quantities of shell fish landed on our coasts, and no estimate can be formed with regard to the consumption of eels, trout and other fresh water varieties. The fifty-six squares in the diagram representing the consumption of fish is therefore unavoidably an understatement.

When we come to consider the question of milk we are met by some baffling complexities. The average annual yield of British cows "in milk" is a very variable quantity. Thus the Census of Production taken by the Board of Agriculture in 1908-9 gave a figure of 550 gallons per cow in milk per annum, whilst in 1918 an investigation by the Ministry of Food indicated an average yield of only 436 gallons in Great Britain exclusive of milk used in calf rearing. This very notable reduction was due to the shortage and deterioration in quality of feeding stuffs and to the lack of skilled labour in the dairy farms. Our calculations had also to take into account the quantity of milk used in the manufacture of butter, etc., and in this connexion allowance had to be made for wide variations. In spite of these and similar difficulties of computation, we believe that the quantities of the principal foodstuffs consumed in 1913 per week per head in the United Kingdom are correctly shown in the diagram.

The results, as charted, present a complete picture of what would be the share of each individual in the country if all foodstuffs were divided equally amongst the population and provide a valuable basis for comparing the 1913 standard of living in Great Britain with that prevailing at other times and in other countries. Diagram No. 27 deals only with quantities, the question of prices must be reserved for future consideration.

WAGES. II.

In the first article two fundamental principles of wages were examined, and their differences reconciled. On the one hand it was pointed out that as wages are paid out of the price of the product there is a limit to what an industry can bear; and that a higher wages rate would be purely nominal, as many of the firms compelled to pay that rate would close their establishments. Against this doctrine of "inevitability" it was urged that no industry should be permitted to live which does not, in the long run, pay a reasonable wage; and that insistence upon a reasonable standard would compel a reduction in the size of the industry to such an extent that, through the consequent rise in the price of the product, it would be able to pay such a wage. It was shown that under normal conditions the conflict between the two principles is more apparent than real. If it were not so, Trade Boards—and, indeed, all forms of collective bargaining—would be futile.

But "normal conditions" rarely, if ever, exist. Trade fluctuates from year to year, alternating between boom and depression. During a boom in a particular industry, due to conditions beyond the control of (though frequently foreseen by) those within it, firms receive a greater income than is necessary to cover costs of production. And it is agreed that the workers should share in the general prosperity. During depression, on the other hand, the income of the industry is less than sufficient to cover costs. It does not follow that such an industry no longer "deserves" to live, although, for the time being, the workers cannot be paid the reasonable standard. What is thus required is a reasonable average, and an elastic wage rate, which, to some extent will reflect the momentary position of the industry, and secure that the workers share profits and losses. This view is not in conflict with the view frequently expressed, that extreme fluctuations in weekly incomes are socially undesirable. On the contrary, elasticity in the wage rate is a factor making for stability of income rather than instability, for it tends to lessen the amount of unemployment during a period of depression, and, by lessening the risk of unemployment, even increases the unemployment pay rendered possible by a contribution of fixed amount to an unemployment insurance fund.

The history of the iron and steel trades of this country affords ample proof of the practicability of maintaining an elastic wage which meets the demands of the workers for a reasonable standard of living. The necessary elasticity is secured by means of a sliding scale. The success of the scales in the Cleveland iron trade, the manufactured iron trade of the Midlands, the steel ingot trade, and other branches of the industry is well known. The principle of the sliding scale is that wages should vary with prices. A standard price and a standard wage form the basis, and a given absolute variation in price is followed, in due course, by a given percentage variation in wages. The chief difficulty appears in the fixing of the standards, other practical difficulties being more or less mechanical. Once the principle of the scale has been accepted on both sides no further conflict of principle can arise. Consequently differences may always be settled by arbitration, and the principle of compulsory arbitration regarding differences arising out of the application of the sliding scale agreement is readily accepted. This in itself is a considerable advantage, for it is well known that purely mechanical differences between employers and workers are used to foment unrest and to compel strikes by those to whom strikes are an end in themselves, or an instrument to bring the system of private enterprise into disrepute.

But that is not the only advantage of a sliding scale agreement. It secures automatically for the workers the agreed share in the prosperity of the industry in so far as such prosperity is measured by price. It strengthens and perpetuates collective bargaining, and is thus a source of strength to the Unions, one of which—the Iron and Steel Trades Confederation—is perhaps the strongest and most ably led trade union in the country. Nor does it prevent negotiation between the union and an individual firm regarding a modification of the standard wage. The sliding scale agreement may—and generally does—cover a large number of firms; but the standard wage is fixed by agreement between the individual firm and the workers. Thus it is not true, as is sometimes stated, that the sliding scale method of wage payment tends to prevent a rise in the real wages of the workers over a period covering boom and slump.

Over a long period the scale, although primarily intended to be a form of profit and loss sharing, automatically adjusts wages to the cost of living. If the Cleveland scale be

compared with the Lincolnshire scale (which is similar in all its essentials) it will be seen that the former shows at present a much larger percentage wages increase on standard than the latter. The Cleveland scale is over forty years old. It was established when the price of pig iron and the wages of the workers were extraordinarily low. The then prevailing wages and prices were accepted as standards, and when the price of iron gradually changed with the cost of living (as it generally does over a long period) wages followed. The Lincolnshire scale was established in 1913, when wages and prices were extremely high. These in turn were accepted as standards, the wages being equivalent to those paid in Cleveland partly as standard and partly as scale advances. Thus the Cleveland scale agreement secured automatically, over a long period, those advances due to the rise in the cost of living which were only achieved in other trades after long negotiation and frequently after serious strikes. At the same time adjustments were made in each establishment where these were necessary to secure for the men advances in real wages or a share in the benefit resulting from technological progress.

Although the iron and steel trades are not free from labour difficulties there is no doubt that they are less hampered by them than most other trades; and that the sliding scale arrangements have amply justified their existence. It is therefore pertinent to enquire whether they could be extended to other trades. Is there anything in the iron and steel industries which makes them peculiarly adapted to a method of wage payment which was rejected by coal miners after long experiment in their industry, and which shows no sign of spreading to such industries as textile manufacture and engineering?

(*To be continued.*)



THE BLUE BOOK WORM, IV.

1. Voluntary Hospitals Committee. Final Report. Cmd. 1335, 1921
4d. net.
2. Papers relating to the New Constitution of Malta. Cmd. 1321, 1921
1s. 6d. net.
3. Report of the Inter-departmental Committee on Imperial Forestry Education. Cmd. 1166, 1921 2d. net.
4. Report of the Foreign Office Committee on British Communities abroad. Cmd. 672, 1920 2d. net.
5. Report on Slates (Central Profiteering Committee). Cmd. 1338, 1921 1d. net.

At the end of January the Minister of Health set up a small committee to consider the financial position of the Voluntary Hospitals, and to make recommendations as to any action which should be taken to assist them. Four months later the Committee reported. Within a few weeks the Government announced its adoption of some of the Committee's main suggestions, though financial sanction has still to be obtained from Parliament for the proposed grant of half a million. Some critics talk with flippant ease about the handing over of the Hospitals to public authorities. This report shows how vast and expensive and damaging a change this would be. A basis of regular and substantial help would alter the whole character of the hospital movement, and for the worse. Yet the present crisis in hospital finance cannot be ignored, and the Committee proposes that for a period of two years a State grant of a million should be given. This grant would be administered by a Hospitals Commission, formed on the pattern of the University Grants Committee, and the Commission would be helped by Voluntary Hospitals Committees in each area. These Committees, it is hoped, would be permanent. Their task would be to co-ordinate all hospital work within each area in the interests of economy and efficiency. The Report makes it clear that this would be a very real and fruitful task. At the present moment the aggregate income of the hospitals is a rising one, but it has not risen in the same ratio as the expenses. The Report does two necessary things: it recommends State help, to be given in a peculiarly inoffensive way, for the present emergency, and it shows the hospitals how they may help themselves substantially in future.

The British Empire has an amazing faith in its sovereign forms of constitutional rule. It has just fitted out Malta with a Senate and a Legislative Assembly and all manner of appurtenances and powers. It is doing its best, too, to develop a University in Malta, though many will doubt whether the youth of Malta might not spend their years of mature study with more profit to themselves abroad than at home. These developments owe much to the resolute idealism of the Governor, Lord Plumer. The new Constitution was proclaimed on May 16th with imposing ceremony amid the general rejoicings of all classes of the Maltese. One of the best results has been to show how small are the numbers of the *Italianissimi* extremists and how loyal a link of Empire Malta is.

Command Paper 1166 is a genuine piece of "reconstruction." The British Empire has unmeasured possibilities of timber-producing, and the British Empire Forestry Conference, looking into this matter, found that in all our Universities the Forestry courses had improved but that a new Central Institution was needed to carry farther the work done in the various Forestry Departments of the Universities, and more particularly to encourage research. The present Committee has made a recommendation that the Central Institution should be set up at Oxford under the joint control of the State and the University of Oxford. It may be hoped, therefore, that before long all the Governments of the Empire will find enough men of ability and training to enable them to make the best use of their forest lands.

Cmd. 672 is another piece of "reconstruction." There are innumerable British communities in foreign countries, and in the past they have had little or no attention from the Home Government. During the war these communities were of the greatest value to us. Many members of them came home to fight. Those who remained fought too in another way, with fresh stimulation of their patriotism. The work of the War Trade Intelligence Department received vital help from these sojourners in foreign lands. The Foreign Office Committee has had to consider by what methods the solidarity of the British communities and their local influence may be increased. It has had before it the example of certain foreign nations, for example, Germany, which take care not to lose sight of their "nationals" at the far ends of the earth. Thus the German Government was accustomed to do a great deal

for the German schools in South-Eastern Europe and elsewhere, and her social and political influence gained greatly thereby. But her conscription laws gave her a strong hold on her nationals, whereas the Britisher abroad, just as at home, is an obstinate individualist. The Committee, therefore, prefers voluntary registration to compulsory. In general, moreover, it avoids suggesting subsidies from home, except in the case of education, under which it includes English schools, institutes for popularising English literature and ideas and such organisations as the Boy Scouts and the Girl Guides for British children in foreign parts. The matter is not so much one for expenditure, though certain expenditures would be well justified, as of encouragement and co-ordination among the various institutions, patriotic, religious, social, commercial and literary, which naturally spring up wherever Britishers come together. It is noteworthy that the Report excludes the United States from its investigations and recommendations. The immediate first step suggested by the Committee is the setting up in London of an Interdepartmental Committee of representatives of the Foreign Office and the Board of Education to analyse the problem and determine methods.

Like all the trades dependent on building, the Slate trade has been in a poor way for a good many years. From 1900 to 1905 the number of houses built in Great Britain averaged 130,000. From 1906 to 1909 the average was 90,000, while in 1910 only 36,000 were built. The average of the four years 1910 to 1913 was not more than 62,000 per annum. Since 1917 the North Wales Slate Quarries Association, which represents 90 per cent. of the trade, has been in existence, but it has dealt chiefly with trade union and labour questions. There are neither pooling arrangements nor deferred rebates nor any other restrictions such as are usually associated with a trust or association which exercises control over an industry. The associations of slate merchants and roofing contractors are also concerned with labour questions and not with prices, except in the case of very small orders. At the quarries, wages are more than thrice the pre-war figures, labour is less skilful, many of the best men not having returned to the trade, hours are considerably shorter. Naturally output is down, and also dearer. The merchants appear to be getting a larger percentage on overturn, but as overturn is down they can scarcely be accused of profiteering.

THE BUSINESS MAN'S VIEW. IX.

THOUGH the present era of industrial and social life is characterised by reforms so radical as to appear little short of revolutionary, in reality the processes are mainly, if not entirely, evolutionary: we are witnessing the birth of the new order springing with renewed vitality and sometimes in unexpected places from the trunk of the old. A change in the tide of economic development had been already felt in the first years of the 20th century. The war brought matters to a head with the result that in 1920 we found ourselves face to face with difficulties which stood out more clearly against the new background. In any case these difficulties must have arisen in due course because they are all distinctly evolutionary in character; that they have actually come upon us so swiftly and in a form that compels us to adopt definite issues, will probably prove the salvation of England as an economic power. Expansion in this country along the old lines was, as compared to that of other countries, already on the wane. The conditions of industrial prosperity had changed and while we struggled vainly with the old order, new systems properly adapted to the present scale of national interdependence were rapidly gaining the field.

The organisation of transport is no exception and the railway system which contributed so largely to the growth of British industrial supremacy in the nineteenth century is now on the threshold of momentous changes.

No one who has observed the great, and still growing volume of traffic which in normal times constantly flows along our main lines can doubt that the future of railway transport is every bit as important as it has been in the past. The development of road transport and aviation, though remarkable, has left the railways in possession of the field as the vital means of communication, and the limit of development has by no means been reached, even as far as steam haulage is concerned, to say nothing of the possibilities of electrification.

In less than a month the Railway Bill, in one form or another, will have become law, and the conditions under which the service will be empowered to make or mar the progress of industrial enterprise in this country will have been determined for the duration of a period of years likely to be crucial in the history of European States

The main points of the Bill are already familiar to most, but, for the sake of clarity, we will briefly indicate the Government's point of view. The original plan, declared soon after the armistice, was that the Government should purchase the railways and run them as a national undertaking. This policy was abandoned in deference to the overwhelming opposition of public opinion. The general principles of the present bill provide for (1) the reorganisation of the railway system by the grouping of railways and the amalgamation of the owning companies in each group; (2) the regulation of railways by affording means to establish services, facilities, and conveniences, and standardisation of equipment; (3) the fixing and regulation of rates, fares and charges; (4) the fixing and regulation of wages and conditions of service of the staff of the companies. It was originally proposed to include under the first heading provision for the direct representation of labour on the directorate. The railways owners, however, were so strongly opposed to this particular clause, that they eventually came to an agreement with the three chief railway unions whereby the Government was requested to withdraw the clause on condition that the Central and National Wages Board is maintained, at least, until January 1923. In place of such representation, joint councils will be formed with functions on the lines of Clause 16 of the Whitley Report. That clause provides for the better utilisation of the practical knowledge and experience of the workpeople, and for means of securing to them a greater share in, and responsibility for their conditions of work, including methods of remuneration, "having regard to the need for securing to the workpeople a share in the increased prosperity of the industry." The Government have expressed their dissatisfaction over the arrangement and in several quarters regret has been expressed that this particular form of co-operation between labour and capital was refused. Having regard to the fate of national wage settlements in other countries, it may well turn out that labour has made a bad bargain, and that its own and the national interest would have been better served if the emphasis had been laid on the other side. For the rest, a comprehensive scheme of conciliation has been agreed upon by the two parties and the interests of labour in the railway services seem well provided for.

In moving the second reading of the Bill, the Minister of Transport drew a number of comparisons between the devel-

opment and conduct of British and foreign railways. Some of them have, we believe, been challenged, but until they are disproved they are worth putting on record, because they help the outsider to understand why, and what manner of changes are called for in our railway system.

Sir Eric Geddes stated that in 1913 the cost to the railway user of moving a ton of freight one mile was 0.9 of a penny, after eliminating terminal charges. In the United States it was 0.4 of a penny, and 0.6 of a penny in France and Prussia. With perhaps the exception of China, the costs to the user for moving freights in this country are the highest in the world. French railways cost £30,000 per mile of line. In Prussia the cost was £26,000; in the United States £16,000 and in this country £56,000. Moreover, in this country on an average only 500,000 tons were carried over each mile of line per annum. The corresponding figures for Prussia were 746,000; and for the United States, 1,300,000. With regard to loads it would be found that the United States put 23.5 tons into a wagon; Prussia 8.8 tons; and Great Britain 5.4 tons. Before the war our cost of freight was 0 9d. per ton mile; now it is 1.9d.

But what is the general attitude towards the Government's proposals and what particular advantages do they offer so far as the economic welfare of the future is concerned? Following our usual practice in these pages, we have sought the elucidation of these questions in the reports and speeches of the interested parties, namely, the Labour Party on the one hand and the directors of leading railway companies on the other.

The Parliamentary Labour Party have formally opposed the Bill because it "not only fails to provide for the public ownership and control of the railways, but would prejudice the future acquisition of the railways by the State on a fair and economic basis." Mr. Clynes, as spokesman for the party, objected that the Bill was a compromise between rival interests. Undoubtedly it is, but why not? Presumably the Bill is a compromise between what are considered to be the rival interests of the shareholders, labour and the consumer. Nationalisation is rejected by the majority to-day and it is therefore fruitless to examine objections presented on that score. But with special reference to the fact that the Bill introduces compulsory arbitration in relation to conditions affecting the workers, Mr. Clynes formulated four points which

are well worth bearing in mind. Compulsory arbitration, in his opinion, could only be made acceptable (1) by fixing minimum rates of wages commensurate with the needs of the workers, their services, and standard of living, and (2) a maximum profit for capital beyond which there should be no further yield to capital, except by additional gain which would result from the joint exertions of capital and labour. (3) By ensuring such a state of incentive on the part of both capital and labour as to produce a margin above both minimum and maximum. (4) By establishing courts to decide differences in such a manner as to command the absolute confidence of the two parties. An indispensable feature of any system having as its central fact a condition of arbitration, Mr. Clynes further stated, is that the workers should share in the control and conduct of the industry in which they were employed. Any method of settlement which employers and workmen could agree upon would pay the workers better than the resort to a strike or a stoppage.

A good many of the largest of our railway companies have, through their chairmen, publicly expressed their views on the proposed Bill. The Great Northern is frankly opposed to the whole conception, but the majority of the lines appear prepared to endorse the principle of voluntary amalgamation though they condemn the attempt to enforce compulsory arbitration, at comparatively brief notice, because, they hold, it cannot effect the desired result, namely, the provision of the best and cheapest railway service. For the rest, each is mainly concerned in emphasising the particular hardship likely to be involved in their own case. Obviously all the railways, great and small, must receive under the Bill, not the same treatment, but treatment which is relatively equally advantageous, having regard to differences in their individual constitutions and the effect of their handling by the State during the war. But these are details with which we are not here concerned.

The most complete analysis and criticism of the present railway situation comes from Lord Knaresborough, who, as Chairman of the North Eastern Railway Company, addressed an Extraordinary General Meeting of shareholders on May 30. Lord Knaresborough voices the opinion of the majority of railway owners in the constitutional form of his general protest. ". . . There is a Bill before us, the Government Bill, and I cannot see that there is the slightest chance of any other Bill passing. That being so we are faced . . . with the alternatives of mending or ending and . . . we are in favour of

the policy of mending." The immediate problem, as Lord Knaresborough sees it, "is so to adjust railway wages and salaries on the one hand with railway charges on the other as to restore financial stability to the railways." This is important because it shows the fundamental difference in outlook between the attitude of the Labour Party and of the owners, and because it gives us the test by which projected changes are tried. It is "the business man's view," and it is fairly certain that it must and will be in some conflict with the larger views of good statesmanship. Nevertheless the view is of the greatest value because it deals—and forces reformers to deal—with actual facts. This problem has got to be solved, and the Bill, Lord Knaresborough declares, does not solve it. The Bill determines wages and permits the railway companies to make charges to the public which will give them their pre-war earnings. But, Lord Knaresborough retorts, the public may refuse to pay the charges, they may be more "than the traffic can bear," and the real problem, the fair and *workable* adjustment between charges, wages and dividends remains untouched.

In agreement with most of the other railway companies, Lord Knaresborough thinks that some reduction in the number of railways will tend to efficiency and economy, but he holds that the terms of amalgamation should be settled by agreement and that any question of compulsory arbitration should stand over until we have had experience of what voluntary amalgamation results in. "It is misleading," he states, "to talk of the railway companies in Great Britain numbering 100 or more, and of great economies resulting from reducing this large number to some half-dozen. There are less than twenty companies that count for any practical purpose, and as regards the others it matters very little whether they go or remain. Apart from the Underground Railways, which are outside the scope of the discussion, 95 per cent. of the net revenue of the railways in Great Britain is derived from nineteen companies." He is of opinion that the savings affected by amalgamation should be estimated as between two to four millions, rather than at 25 millions as stated by Sir Eric Geddes.

Mr. G. A. Macrae (London, Brighton & South Coast Railway) draws attention to the fact that the total expenditure of controlled railway companies for the year 1919 was £179,000,000, of which £173,000 (or 0.09 per cent.) was paid away in directors' fees. The sum is small in any case, and

assuming that the directors in the majority of cases contribute valuable services, it is obvious that the attempt to save might ultimately result in greater loss. From the point of view of service, Lord Knaresborough criticises the tendency of the Bill to centralise management and place a barrier between the trader and the local railway. Viewing the effects of the Bill from the shareholders' point of view, he considers it is almost impossible to secure suitable financial terms for amalgamation. The Government have rightly laid it down in the Bill that a company shall be valued according to its net revenue-earning prospects, but even given this basis, the great variations in the amounts of prior charges (debenture stocks, preference and guaranteed stocks, rents, etc.), in different companies make the bargain as between different companies very uneven.

The general opinion concerning the provisions for the regulation of railways appears to be that they are not compatible with private ownership—"The general effect of these clauses," Lord Knaresborough says, "is to confer upon the Railway Commission and the Ministry of Transport certain powers of intervention and direction which would go a long way to substitute dual control for private management. We are convinced that the public will be best served and the railways most economically run if . . . reliance is placed, not on officialism, however skilled and intelligent, but on the sense of personal responsibility . . ."

Sir Herbert Walker, general manager of the London and South Western Railway, points out that, to achieve its purpose, the Bill must make provision not only for the railways to earn dividends but also to spend money on development. In the last ten years before the war the railway companies spent £10,000,000 a year on development, and the service is suffering at the present time from the effects of the discontinuance of this expenditure. The railways must be in a position to raise capital if they are to serve the public adequately. The effect of the eight-hour day had been to increase the personnel of the railways by 76,000 and the wages bill had risen 25 per cent.

The Scottish Railway Companies state that the total wage-cost to the Scottish companies is now 291 per cent. above the 1913 cost—the actual figures being in 1913, £4,318,006, and in 1920, £16,881,383. Similar figures for eight railway companies in England show a percentage increase of 227.

THE MONTH'S REVIEWS.

WHEN a gang of workmen want to move a heavy weight from one place to another, they get behind it and use their united strength to push it in the desired direction. But if there is any active disagreement as to the exact position the weight ought eventually to occupy, some will push this way and some that, so that the weight, with much waste of labour, is made to move towards its goal by a zig-zag route. The ideal in life would be that the mass of mankind, having perceived clearly what is right and good, should proceed in a straight line towards their destined end. But in actual life this never happens. The goal is dimly seen, and those who strive to reach it favour different routes, so that mankind, swayed this way and that, moves sometimes back and sometimes forward—but, in the long run, slowly onwards, because, though methods differ, the real aims of the majority lie in the same direction.

In the realm of politico-economic philosophy this is particularly true, and we cannot afford to reject the inspiration afforded by the writings of a sincere and in many ways an outstanding mind, because we disagree with some of his views. A book may be bad for the general public, but it may be extraordinarily helpful to a selected group. If the readers are sufficiently well up in their subject to bring a critical mind to bear, Mr. R. H. Tawney's book on *The Acquisitive Society** will be read with considerable gain. If his work could be read only by the classes against whom he writes, its faults would do little, if any, harm, and its coherent idealistic direction would surely do much to help the politician, the financier and the "captains of industry," to give shape to their own vague conceptions of the purposes of industry and the function of government.

"The principle for which the author pleads is unassailable, and his real conception of the limits and of the possibilities of human nature is sane. Unfortunately, in fighting against an accepted theory, he divides men into two classes and straightway forgets that both consist alike of men and women endowed with human frailties and virtues. The burden of Mr. Tawney's contention is that "Industry and property and economic activity should be treated as functions, and should

* *The Acquisitive Society*, by R. H. Tawney, Bell & Sons, 4s. 6d.

be tested at every point, by their relation to a social purpose." Surely he is right. Mr. Tawney is here only giving definition to actual tendencies which are at work to-day, and the greater part of his book is valuable because it tends to show the coherent form behind the apparently formless events of the last decades, and thus to quicken the realisation in men's minds, and hasten the progress of mankind. But Mr. Tawney is wrong in assuming, as he seems to do, that all the ills of humanity lie in the "functionless" shareholders. He has no sort of justification for presuming that the capitalists take from the proceeds of industry, yet contribute nothing. In his principles Mr. Tawney is admirable, but in his attempts at detailed practical application he is hopelessly at fault. He is not even superficially logical. The shareholder, or the capitalist, is a functionless parasite when Mr. Tawney wants to change the capitalist system. Yet the loan of capital is a necessary service to be paid for once more when the new system is established.

In his own mind Mr. Tawney no doubt distinguishes clearly enough between interest on capital, the reward of successful enterprise, and that small surplus which falls, wastefully it is true, to the "idle rich," but in his writings he fails to draw the distinction sharply enough and the force of many of his arguments seems to be drawn from this confusion.

But Mr. Tawney is not really revolutionary. He only becomes a revolutionary force when he falls into the hands of revolutionary readers, and to do him justice, he writes for the capitalist society, not for revolutionary workmen. That his book must do harm to the ignorant is in itself a grave reproach, because the author, with a little more care, could avoid that, but for the rest we feel convinced that in business and governing circles, the fair-minded will be inspired and helped by this book; the mean-souled will see themselves, and, if not too mean, will strive to mend their ways.

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Under the title of *Increased Production* (Oxford University Press, World of To-day series, 2s. 6d. nett), Mr. E. Lipson sets out "to discuss how the workers can best attain a higher standard of life." The author takes the capitalist system as it is, and by a detailed examination of the published records of observation made by experienced and trustworthy authorities, succeeds in giving his readers a wonderfully clear and concise summary

of what has so far been learnt concerning the relation of production to consumption. Perhaps the chief value of this little book—it is only seventy pages long—is that it admits the fact that our economic troubles are rooted in defects in the relation of the wage-earners to their work and of the organisers of industry to the would-be consumers. He realises, and we with him, that you cannot have a wealthy and prosperous nation unless the general standard of living is high. Neither the defects of the present system nor the difficulties for their removal are underestimated, but the writer seeks their solution in the adoption of the best that has so far revealed itself as the result of actual experiment and observation. By his care in continually citing the source of his statements, Mr. Lipson gives his readers an opportunity to follow up for themselves the multitude of interesting reports which he himself can only touch upon.



Many readers of this journal will welcome the advent of a new book on social and economic questions compiled by the Editor of *Industrial Peace*. The addition of this particular work to the mass of books already published is justified, not on the ground that it contains new truths, but by the manner in which it presents old facts which so many feel yet so few can explain. In *The Facts of the Case* (Simpkin, Marshall, Snel-
nett) a novel method has been adopted which greatly increases the value of the information given. The author tackles his subject through the many fallacies and inaccuracies which are current to-day concerning Capitalism, Leninism, Nationalisation, Marxism, Prices, Production, Profits, Wealth and many other subjects. Wherever possible he quotes the "Peg" of some well-known exponent of the false doctrine, and then in a few concise "Points" destroys the erroneous impression conveyed. The book is particularly well-arranged so that the reader, or the public speaker, or writer can readily find concise arguments wherewith to dispel much of the cloudy thinking that now obscures these important topics. Valuable statistics concerning wealth and the cost of living, unemployment, prices, exports and imports, etc., are given in a separate section at the end of the book, and the views of the best men in the Labour world are extensively quoted.



FOOD FOR THOUGHT.

THE last four weeks have been amongst the most momentous in the history of the nation and the motto which we have chosen for this number of *Industrial Peace* may prove, we hope, happily prophetic. The decision of the miners' leaders to terminate the lock-out, the temporary settlements in the engineering and cotton industries and the discomfiture of the direct actionists at the Annual Meeting of the Labour Party are all indications of what is at least a new realisation, if not a change of heart. The man who is persuaded that a permanent solution of the coalmining dispute has been found would be an optimist indeed, and not many people are satisfied even that the compromise recently arrived at is anything better than an indifferent makeshift. At the same time something has been gained inasmuch that the crude impracticability of the futile nostrums advocated by the leftenmost wing of socialist labour has become patent to all observers except, perhaps, to the extremists themselves, and even they must be feeling dazed and a little shaken. It was calculated, with no little confidence, that such a blow was about to be delivered by the Triple Alliance that the rest of the nation would succumb to the onslaught, if not to the threat. But the anticipated blow failed to materialise and although both the combatants have emerged from the conflict weakened and impoverished nothing that could not have been agreed upon at the conference table has eventuated. If, however, the lesson has been learnt, even in part, that similar designs will be equally barren of success in the future the ordeal will not have been in vain. The cost in privation for the miners and their families, in injury to British trade and in loss of employment has been well nigh incalculable, but if it leads up to a permanent cessation of hostilities the lesson will have been absolutely priceless.



The letter sent to *The Times* by three working miners pleading for a settlement that should bear no stigma of defeat was conceived in the right spirit, but such an appeal was not really necessary. The British public is generous to a fault and extends its sympathy unasked to any section or group that has fallen upon hard times, without prejudice to what it considers to be the merits of the case. The inclination to

"rub it in" is foreign to our people. If only the miners would believe that their fellow-countrymen, almost without exception, wish them well and are honestly desirous that the rank and file of the mining community should receive the utmost that the industry can stand, the first upward step on the road to industrial peace would have been achieved.

The new realisation, to which we have referred, is only in an early stage of its evolution and goes no farther than a partial acceptance of the principle that economic law, and not class-war strategy, governs the question of wages and employment. As Mr. J. H. Thomas said last week at the annual conference of the N.U.R. at Newcastle,—“We have reached a stage in the country’s history where peace is more essential than anything. To go down to the Tyne, as some of us have done, and to see the empty ships and wagons indicative of thousands of unemployed has been a real object lesson and I am quite satisfied that the conference realised how necessary it is to get the wheels of industry properly started.”

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Even the fire-eating and irreconcilable *Daily Herald* admits, though very reluctantly, that it is “economic fact” that has triumphed. “In these hours,” says the *Herald*, “when we are asking the men in the coalfields to accept the hard logic of economic fact and to return to work under conditions they dislike and disapprove, we would remind the owners and the Government” . . . that . . . “out of defeat the miners would sooner or later wrest a triumphant victory” But neither the Government nor the owners nor anybody else can escape the arbitrament of the hard logic of economic fact and as usual, therefore, Mr. Lansbury is merely provoking the spirit of strife and once again leading those, whose cause he professes to champion, down the path that leads through misery to disappointment, and though disillusionment to despair.

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We are always glad to assist readers, as far as we can, in disentangling the economic issues of the present day, and therefore welcome the letter of a correspondent who has been a candidate under our Study Scheme.

"Could you," he writes, ". . . explain in detail how it would be possible (or under what circumstances it would be possible) for, let us say, the U.S.A. to cancel the indebtedness of any nation or nations towards itself? The States, we may assume, lent France capital, it matters not in what form. To enable it to do so, it raised a Liberty Loan. For the use of the capital then supplied by its citizens, the U.S.A. must to-day be paying annually large sums as interest. If, then it cancels the indebtedness of France towards itself, the citizens of the United States must tax themselves, not to the extent of the interest on the Liberty Loan alone, but also to an even greater degree so that by a sinking fund the debt itself may gradually disappear. If by some supreme moral self-denying ordinance the citizens of all states would return their loan certificates to their respective governments for cancelling, the world would be free of its burden. But it would seem that for one country to cancel the obligations of another would imply only the shifting of the load from one pair of shoulders to another, perhaps more capable of bearing it. I can, of course, see that a mutual cancelling of indebtedness would have its conveniences."

Our correspondent has himself provided so full and clear an answer to his own question that there is little to add. The case is precisely as he states it. In the above example the citizens of the United States would shoulder a tax burden (the provision of interest and sinking fund) which would otherwise fall upon the taxpayers of France. But, given an equitable distribution of taxation in both countries it is hardly likely, if such cancellation took place, the American shoulders would be less able to bear it than French shoulders. If such were the case the argument for cancellation would lose its force. It is, indeed, held that, under certain conditions, the cancellation of debt might even be advantageous to both parties—to the creditor in that payment would involve considerable dislocation of trade and serious unemployment; to the debtor in that the results of much effort would be going abroad, necessitating a correspondingly lower standard of living at home. Without endorsing this extreme view we may say that in its essentials the problem is similar to the indemnity question, which was discussed in two recent articles in this journal. We shall return at an early date to the question of international indebtedness.



We have to apologise for an error in last month's "Food for Thought." In line 15, page 122, the word "nearly" was accidentally omitted, and the sentence in brackets should read "[nearly 200 per cent. up]." The exact percentage referred to was 193.3 per cent.

DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry.)

June 1st. The Ministry of Labour index number was 119 per cent. above that of July, 1914—nine points lower than on May 1st.

About 1,335,000 people sustained wages decreases amounting to a total of over £400,000 a week, and 235,000 received increases amounting to £55,000 a week. The groups principally affected by the reductions were:—the building trade, ad. an hour; shipbuilding and repairing, 1s. a week, or 7½ per cent on piece rates; merchant shipping service, 10s a month, or 8s 6d a week; hosiery workers, bonus reduced from 1s 2d to 1s. 1d on each shilling earned; brickmaking industry, 6s and 3s. a week for men and women respectively.

125 disputes directly involved 1,520,000 workers in idleness and caused a loss of 23,200,000 working days.

Unemployment in Trade Unions rose to 22.2 per cent and to 17.6 per cent. among workers in the Insured Trades (exclusive of miners).

Employment Exchanges registered 2,122,000 as unemployed and 1,187,000 as working short time.

District meetings of the Miners' Federation have been held throughout the country and all results show opposition to the Government proposals.

A further conference between Cotton operatives and employers was held but proved unsuccessful and was adjourned till Friday. Unless a settlement is agreed to, some 230,000 operatives will cease work on Saturday, June 4th. The owners propose a wage reduction equivalent to 5s in the £. The unions offer to accept one of 2s. 6d.

2nd. The Wandsworth branch of the Electrical Trades Union having reinstated the member previously expelled for joining the Defence Force, the summons against the District Secretary was withdrawn.

3rd. Iron and Steel Trade: Wages of men under the sliding-scale operated by the Board of Conciliation and Arbitration are to be reduced 30 per cent. The total drop since January is 60 per cent, but wages are still 170 per cent above the standard.

At the National Congress of French Railwaymen it was decided by 55,140 votes to 53,677 to adhere to the Moscow International. (As a result of the fiasco brought about by the extremists in the Federation last year, the membership has fallen from about 300,000 to roughly 110,000).

Cotton operatives and owners failed to agree. Mills will open as usual to-morrow, but unless the operatives decide to accept the owners' terms, viz., a reduction of 80 per cent. in list prices, a situation similar to that in the coal fields will arise. The operatives asked alternatively for a reduction of 50 per cent. only, a fortnight's grace in which to submit the question to the whole trade membership, or arbitration by a neutral chairman. The owners refused the three alternatives, but offered to make the reduction 70 per cent. if the leaders would recommend its acceptance.

The Miners' Executive informed the Prime Minister that the present proposals for a settlement had been universally rejected by the districts. The Owners' Association sent a detailed statement of what they were prepared to concede. Expert opinion on the exact value of the terms offered is that, with the Government grant, the general reduction in wages would not be more than 2s 6d. in the first month, and 3s. in the second, and that the transition period could be lengthened to five months or longer.

4th. The Government wrote informing the Miners' Executive that they had nothing further to propose, and that the offer of £10,000,000 to help wages during the present difficult period would expire in fourteen days.

The Ministry of Labour invited employers and men in the cotton industry to meet on June 7th. Under the Industrial Courts Act, the Minister has power to refer the matter in dispute (viz., what reduction in wages is justified) to a Court of Enquiry.

6th. The Miners' Executive accepted the Owners' invitation to discuss the situation together. The meeting was adjourned until to morrow.

With the exception of a few non-federated mills, the cotton industry is at a standstill. Negotiations in the woollen industry are proceeding. Under the old agreement which expired on May 31st, the basic rate was advanced 15 per cent. over the pre-war rate, *plus* the cost of living bonus. It is proposed to reduce the advance to 5 per cent. *plus* a cost of living bonus equivalent to 90 per cent. above pre-war.

7th. The Miners' leaders decided to call a full delegate conference on the 10th at which they will recommend a ballot on the present Government proposals.

Employers in the engineering industry posted up the wage reductions they propose to effect on June 16th.

8th. The Government announced that owing to the financial condition of the State, Part I of the Agricultural Act 1920,

which guarantees minimum prices for wheat and oats, must be repealed. This repeal involves also the repeal of the guaranteed minimum wage.

9th. The Minister of Labour introduced a Bill to reduce unemployment insurance payment to 15s. and 12s. for men and women respectively, and to increase the rate of contribution to 7d. for men and 8d. for employers as from July 4th.

10th. The miners will decide by ballot on June 15th whether they will continue to fight for the National Pool, or will accept the present offer by the Government and owners.

Negotiations in the cotton industry were adjourned to the 14th. The difference between the terms of the two parties is now reduced to 11d. in the £ on current wages, and the men are willing to submit the matter to arbitration.

The Industrial Court has been requested to arbitrate on the proposed reduction of 6s. a week in the wages of the Royal Dockyard workers.

14th. Trade Union Law: In the Court of Appeal, Mr. Justice Eve's decision against the Plaintiffs in Braithwaite v. The Amalgamated Society of Carpenters, Cabinet-makers and Joiners, and Ashley v. The General Union of Operative Carpenters and Joiners, was reversed. The Court found that the rules of the Trade Unions did not justify their threatened dismissal of the plaintiffs on the ground that they were members of Lord Leverhulme's Profit Sharing Scheme, and further, that the plaintiffs were not prohibited from suing by Section 4, r, of the Trade Union Act, 1871.

Negotiations in the Engineering industry were broken off and, unless the men accept the wage reductions announced, a stoppage of work will commence to-morrow night.

In their Final Report, the Labour and Trade Union Joint Committee on the Cost of Living state that the Ministry of Labour's index figures considerably under-estimate the rise in the cost of living. The Labour figure for September 1920 is 189 as compared with the Ministry's figure of 161.

Woollen Industry: The owners having agreed to take the cost of living bonus at 105 instead of 100, the Industrial Court recommends both sides to accept proposals which will settle the present dispute.

15th. Cotton Industry: The negotiating committees agreed on terms to be submitted for ratification by both sides on June 17th. The reduction is equivalent to 4s. 5d. in the pound.

Engineering Industry: The employers have suspended notices for a fortnight, during which time the unions will take a ballot vote.

16th. The J.I.C. for the Tramways industry adopted a recommendation to adjust wages after August 1st by addition or reduction of 1s. for every five points variation in the Ministry of Labour index number, the first adjustment to be determined from the July figure. The arrangement is terminable by three months notice, after December 1st, 1921.

Printing Trade: Proposed reductions of 15s. and 5s. in the wages of men and women, respectively, are being discussed.

17th. The miners rejected the owners' and the Government's terms by a majority of 248,684 votes. Over 70 per cent. of the votes cast favoured the rejection of the terms. 35 per cent. abstained from voting. Mines will be re opened on Monday for those who are willing to resume work on the new conditions.

Cotton Industry: Although the combined delegate meeting voted in favour of accepting the terms offered, the Spinners refused to ratify the agreement without the consent of their districts. The meeting adjourned for a week, during which the mills will remain closed.

18th. The Prime Minister advised the miners' executive that the offer of £10,000,000 would expire on Sunday the 19th. The Executive of the Federation resolved to seek a meeting with the executives of all unions affected by wages disputes with the object of taking national action.

20th. The Cotton Spinners' Executive strongly advise their members to accept the terms provisionally approved by the Joint Council.

Some 2,000 miners resumed work at Cannock Chase, South Staffs., but elsewhere little disposition was shown to break the strike.

21st. The Labour Party opened its 21st Annual Conference at Brighton. Resolutions were passed in favour of supporting the Second International, and of setting up a Joint Council to co ordinate work between the Labour Party and the T.U.C. The proposal to use proportional representation in electing the national executive was rejected. Further resolutions were passed calling upon the Parliamentary Party to resist the Government's Unemployment Bill and the abolition of the Agricultural Wages Board.

22nd. Clyde shipyard workers have accepted a reduction of 6s. 9d. a week in wages.

The Labour Party Conference, by 4,515,000 to 224,000 votes, confirmed their previous decision to exclude the Communist Party of Great Britain from their ranks.

23rd. Cotton Dispute : The Spinners' and Weavers' ballot being in favour of accepting the terms arranged, the agreement will be ratified to-morrow.

Mr. Robert Williams failed to secure election on the Executive of the Labour Party.

24th. The Miners' Executive cancelled the proposed meeting with the other unions to obtain financial support, and announced instead their intention to approach the owners and the Government with a view to arriving at a satisfactory wages agreement.

27th. Miners and owners met in conference and agreed on terms, subject to the decision of the Government as to a subsidy.

Woollen and worsted operatives' ballot showed a majority in favour of acceptance of wage reductions of 13s. 6d. a week for men and 9s. 3d for women.

28th. Settlement of the coal dispute. It was agreed, among other things, that National and District Wages Boards should be set up. Wages should not be reduced more than 2s., 2s. 6d. and 3s. in July, August and September respectively. The minimum rate should be 20 per cent. above the standard wage which is determined by the basis rate of March 31st last, plus district percentages of July 1914. Standard profits should be 17 per cent. of the standard wages, and proceeds in excess of all necessary charges should be divided as to 83 per cent. among wage earners. The agreement, which is subject to the renewal of the Government offer of £10,000,000 is to be terminable by three months notice after September 1922.

Albert Samuel Inkpin, Secretary of the Communist Party, was sentenced to six months hard labour for procuring the publication of seditious literature under the title of "The Thesis of the Communist Internationale".

30th. The engineers' ballot showed a majority of 132,518 against acceptance of the employers' terms. Negotiations are still proceeding and it is hoped that a modified offer will be made. Strike notices expire to-night.

31st. The engineers' leaders decided to recommend the men to accept wage reductions of 3s. per week (7½ per cent. piece rates) in July, and a further 3s. in August. The question of the 12½ per cent. bonus is to be reconsidered in September in the light of the then existing outlook.



"I.P." ECONOMICS STUDY SCHEME.

The first part of the Study Scheme initiated in February came to its close on the 30th June when the answers to the third paper were returnable. The names and addresses of the fifteen candidates in each group who are adjudged to have sent in the best answers to the three papers will be published in our August number.

Each successful candidate will receive by post a cheque for £5 and a gift copy of Mr. John MacCunn's "*Ethics of Citizenship*."

A fourth paper containing questions based on "*The Ethics of Citizenship*" and on the two books previously studied will also be published in August.

The winners of the £5 prizes should send in their answers to the fourth paper *not later than September 20th*. No extension of time can be granted.

Further prizes of £45, £25 and £15 respectively will be awarded to the writers of the three best papers in each group.

Only those whose names are published in the August number of Industrial Peace as winners of the £5 prizes will be eligible for these larger prizes.

The number of persons who entered for the course shows the interest taken in the scheme by the scholastic profession, and, generally speaking, the level of the answers submitted gives evidence of much care and not a little discrimination. The candidates were fairly equally distributed amongst the six areas in England and Wales, and consequently the competition was not unduly severe in any one area. The response for Scotland, however, was disappointing, as the number of Scottish candidates was insufficient for the formation of the two groups originally intended. Under these circumstances it was decided to merge the East and West of Scotland into one group.

It is especially requested that candidates should notify any change of address to the Secretary, "I.P." Study Scheme, 20 Magdalen Street, Oxford.

No. XLVIII
AUGUST

MCMXXI

"The Nile enriches Egypt, but its source is
in Ethiopia."

Sayings of Hatasu.

INDUSTRIAL PEACE

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INDUSTRIAL PEACE

INDUSTRY AND FINANCE.

THE recent communication which Sir Peter Rylands, on behalf of the Federation of British Industries, sent to the Government emphasises the difference which exists between the points of view of the industrial and the financial communities. This communication shows the need for stability in currency and prices, and exhibits the difficulties attendant upon rapid deflation.

During the war the Government appointed a Currency Committee to advise upon the currency policy which should be pursued upon the restoration of peace. The Committee issued two reports, the first of which was undoubtedly an important document, though its findings were subjected to criticism on the ground that they revealed a somewhat slavish adherence to the ideas which lay behind the Bank Act of 1844. The Committee laid stress upon the importance of maintaining an adequate gold reserve and upon the dangers of currency inflation. It recommended a return to the gold standard at the earliest possible date; at the same time it recognised that deflation might bring serious evils in its train if effected too quickly, and advised the Government to proceed cautiously in the matter. During the first eighteen months of peace the report of the Committee had no effect upon policy. On account partly of the return of ex-service men to industrial employment, and partly on account of the great advance in cost of material and in wages, and the boom in trade, there was an enormously increased demand for legal tender currency and bank credit, to which the Treasury and the banks responded, and in the spring of 1920 attention was again concentrated upon the problem of inflation. Most people agreed that it was necessary to call a halt. In many quarters the cry for deflation was raised, and the need for a return to the gold standard emphasised. There was no safety, it was held, in a credit system which was not anchored to gold. Two steps were held to be necessary preliminaries to a return to the gold standard. One was the restriction of legal tender currency (Treasury notes), which formed the basis of credits, the other was the restriction of bank credits.

The cry was heeded. The bank rate was raised and joint stock banks began to call in loans, and to exercise greater discrimination in the granting of fresh credits. The period of inflation had come to an end. But it is not easy to prevent further inflation without creating a reverse movement, and on the surface it appeared as though the policy which we have described did create such a reverse movement. The past year has been one of deflation, accompanied by severe depression of trade and a fall in prices. It is hardly to be wondered at that the two things were regarded as cause and effect, and that those who find in unrestricted and continuous inflation a panacea for all industrial evils have recently captured the ear of a section of the community.

The industrial and trading groups do not, as a whole, feel comfortable during a period of inflation. Some, it is true, amass fortunes during the price boom which follows, buying before the rise and selling after it has taken place. But most of the important industrial firms look far ahead; they make long contracts with their customers, and cover themselves as far as possible by making corresponding contracts for raw material and labour. If, during the period which the contract has to run, prices are violently disturbed, someone loses. The shipbuilding industry provides an excellent illustration of the truth. A ship takes many months to build, and normally the contract price is fixed at the beginning. If, during the period of construction, ship plates, boiler plates and other materials advance in price the shipbuilder may suffer considerable loss. Consequently he prefers periods of stable prices and wages. Inflation makes for instability, and militates against the system of making unconditional contracts. Every manufacturer and merchant knows the risk incurred in quoting a "firm" price under present conditions; and the difficulty experienced in securing orders in competition with foreign sellers unless he is prepared to quote such a price. During the war the difficulty did not exist in any serious degree. Contracts were elastic in respect of prices, which were easily adjusted to meet advances in costs of material and in wages. Frequently they were "time and line" contracts, the contract price being proportionate to the expenses actually incurred. Moreover, during the post-war boom in trade customers were practically in the hands of makers and sellers, who were able to insert protective clauses in their contracts. But now, with the return to strictly competitive conditions, the evils of

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instability are becoming more apparent, and are being keenly felt. At the turn of the tide customers began to press for firm quotations, and now they hesitate, in view of the falling market, to enter into long contracts of any kind. They live from hand to mouth. Hence the widespread feeling, which has been made articulate in Sir Peter Ryland's memorandum, that stability of currency, credit and prices is the first essential to the recovery of trade. For it would enable buyers of all descriptions to place contracts for forward delivery with confidence. And trade would beget trade now as always in the past. Manufacturers and traders feel that an early return to the gold standard is a matter of secondary importance. And in this respect their view coincides with that of labour.

Bankers and the financial interests generally are not unaware of the strength of their case. But they would urge two points in reply. The first is that the rapid deflation which followed their attempt, not to deflate, but to stabilise currency and credit a year or more ago has been not the cause but the effect of the depression of trade, the depression being but the inevitable reaction from the industrial conditions which preceded it. The boom in trade was accompanied by extravagant speculation, and what the banks did, it is held, was to prick the speculative bubble. If trade had followed a safe line it would now be suffering less acutely; if international economic conditions had been less unhealthy the depression might have been largely avoided. But not otherwise. The second point is that, having advanced so far towards the stage at which a return to the gold standard would be possible it is worthy of consideration whether, in spite of the considerable amount of further liquidation and loss which it would involve to individuals, it might not be desirable to proceed the remainder of the distance. The attachment shown by the Currency Committee to gold is not merely intelligible, but, in the eyes of the financial group, wholly praiseworthy. The importance to industry of a sound financial system, whether it be on a gold basis or some other basis, is so evident that we propose to devote a series of articles to a fuller discussion of the matter, and an examination of some of the proposals which have recently been put forward, particularly those for the establishment of an international unit of currency, and the creation of 'democratic banking institutions' for separate industries such as coal mining.

THE FACTS OF THE CASE IN DIAGRAM, XVI.

In the diagram which we published last month we showed the average consumption per head per week of the principal foodstuffs used in the United Kingdom in 1913-14. The figures arrived at were obtained by ascertaining the quantitative bulk of the selected commodities, whether home grown or imported, and dividing the results amongst the population in equal shares.

Diagram No. 28 deals with the same commodities (fruit, condensed milk and tobacco being omitted), but the resulting dividend is now stated not in terms of weight but in terms of money on the basis of the average retail prices then ruling. These tables were taken for the most part from the tables published in the *Labour Gazette*, and only in cases where the necessary information was lacking from this source did we have recourse for our facts to an examination of typical household budgets.

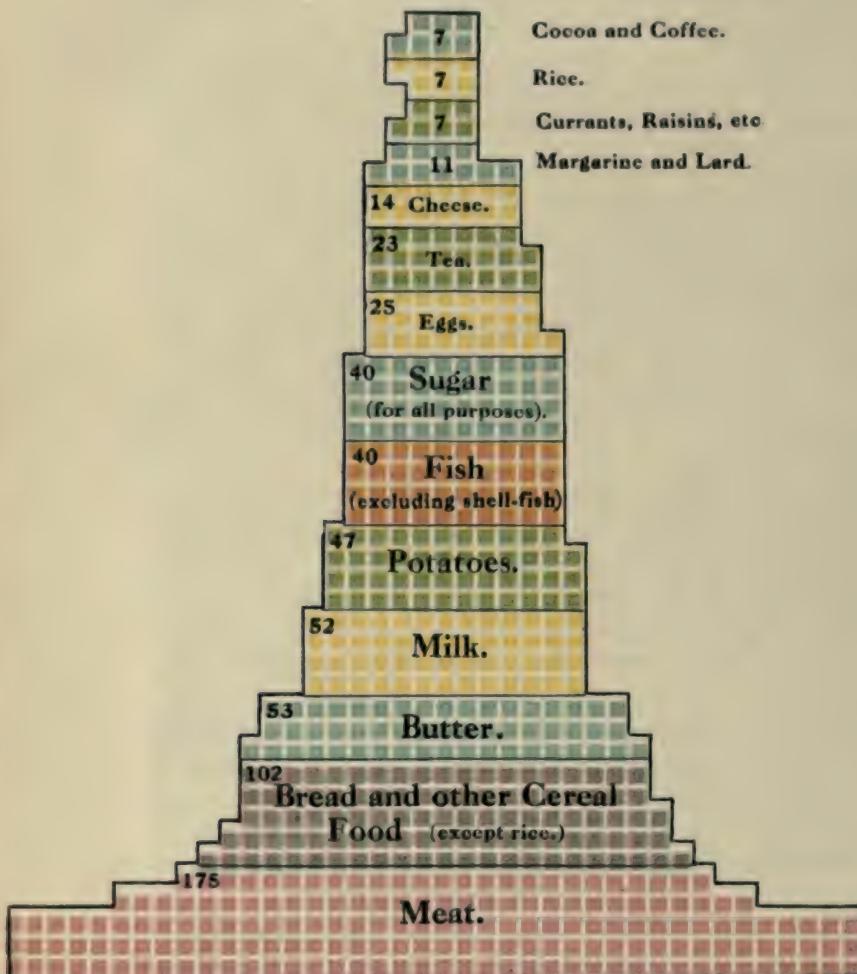
At the scale on which the diagram, with its six hundred and three squares, is drawn each square of colour represents one-tenth of a penny. This unit was adopted for the two-fold reason that a larger one would obliterate the finer distinctions as between separate articles of food, and a smaller one would unduly increase the size of the diagram without any compensatory advantage being gained.

The average standard of living indicated by the quantity and variety of the foodstuffs enumerated is high in comparison with that obtaining in other parts of the world, with certain exceptions, whilst the prices at which the various articles were retailed in 1913 were not excessive when taken in conjunction with the average rate of wages then paid.

It will be observed that meat is by far the most expensive item in the national dietary, and if increasing poverty should necessitate a reduction in the standard of living it is in this direction that economies will have to be effected. The consumption of meat on the present scale is quite a modern affair dating from the time when the trade in imported chilled beef and frozen mutton developed. Before then butchers' meat was seldom found on a workman's table. It is of interest to note how large a proportion of our food is imported; cocoa,

DIAGRAM No. 28.

(Note.—The figures in this diagram indicate the number of squares in each group.)



Average weekly expenditure per head on the principal Foodstuffs consumed in the United Kingdom in 1913-14.

Scale: each square of colour represents 1/10th of a penny.

coffee, rice, currants, tea and sugar are exclusively of foreign origin; and of our cheese, margarine, eggs, butter, bread and meat, the major portion comes in the first instance from overseas. These commodities will continue to arrive at our ports so long as we can afford to pay for them, but the supply is bound to diminish unless our export of manufactured articles keeps pace with our expanding requirements in the matter of foodstuffs. We should be well-advised to remember that a prolonged deficiency of exports would have much the same effect on our standard of living as might have been caused by a continuance of the submarine peril.

It was considered inadvisable to include fruit and vegetables (other than potatoes) in the present diagram, owing to the difficulty of fixing an average retail price for the different varieties of fruit, and to the impossibility of ascertaining the quantity of homegrown vegetables. Comparative luxuries, such as game, poultry, cakes, cream, sardines, etc., are also omitted, partly because such records as exist are unreliable, but mainly because the quantity of such articles actually consumed is, comparatively speaking, infinitesimal.

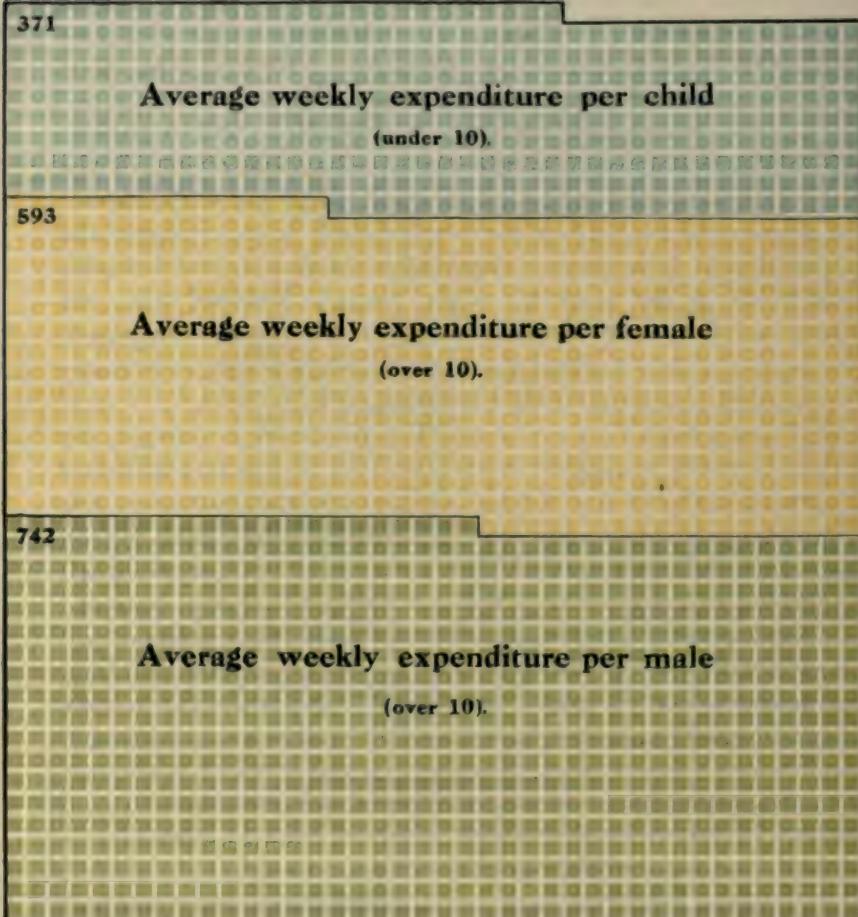
We have seen that the average expenditure in 1913-14 on the foodstuffs scheduled in diagram No. 28 was 603-tenths of a penny per head per week. This average of just over five shillings per head represents the amount that each person would spend every week on the items of food mentioned if all received an equal ration. But it is obvious that men occupied in hard manual labour require more food than women, and that a still smaller allowance is needed by young children. It is impossible to grade the whole population and to say exactly how much food is required by each individual at each particular age. For our present purpose it will be sufficient to divide the nation into three main groups as follows: (a) children of both sexes under ten years of age, (b) females over ten years of age, (c) males over ten years of age.

From the census of 1911 we learn that of every hundred persons enumerated 21 belonged to group (a), 41 to group (b), and 38 to group (c), and we may assume that these proportions are constant.

The dietary requirements of men, women and children, respectively, have been investigated by many scientists of note and in this connexion the conclusions adopted by Mr. Seeböhm Rowntree in his book *Poverty* (as derived from the tables given in *American Foodstuffs* by Atwater and Bryant,

DIAGRAM No. 29.

(Note.—The figures in this diagram indicate the number of squares in each group.)



Average weekly expenditure per head on the Foodstuffs specified in Diagram No. 28, divided proportionally amongst Men, Women and Children.

Scale : each square of colour represents 1/10th of a penny.

and other sources) may be accepted. By this scale the average requirements of individuals according to age and sex are stated as follows:

The man is expressed as	1.0
Woman "	0.8
Girl (12 years) "	0.6
Boy (7 years) "	0.5
Girl (3 years) "	0.4

In order to bring our calculation into line with the three groups above mentioned we have taken 0.5 as the average requirement of the child under ten years of age. If the average cost per head of the foodstuffs in question is 603-tenths of a penny a week, the cost of one hundred persons will be 60,300-tenths of a penny, a sum which, divided proportionally amongst the 21 children in group (a), the 41 females in group (b), and the 38 males in group (c), according to the scale of rations allowed for each group, will give the following results:

The average expenditure for a man equals 742

"	"	"	woman	"	593
"	"	"	child	"	371

all expressed in tenths of a penny.

Diagram number 29 is constructed on this basis and shows the maximum weekly amount that could be spent on the specified articles by each man, woman or child in 1913 (at prices then current) if all such foodstuffs were pooled and distributed pro rata.

The figures in the diagram enable us, therefore, to calculate the average cost of living (so far as the principal foods are concerned) of any family or group in the United Kingdom in 1913-14 by noting the proportion of men, women and children it contains and multiplying the number in each category by the appropriate factor.



THE BLUE BOOK WORM, V.

Annual Report of the Chief Inspector of Factories and Workshops
for the year 1920. Cmd. 1403.

ONE of the most interesting and probably least read reviews bearing on industrial problems is the Annual Report of the Chief Inspector of Factories and Workshops. That Cmd. 1403 is a "blue book" is unfortunate, for the general reader is apt, seemingly, to find something discouraging in the colour and make up of official publications. Yet the contents of this particular blue book should recommend themselves to everybody who is at all interested in industrial questions. Employers, wage earners and the student of industrial and social questions will all find something that they ought to know about. The book is compiled from the reports of the principal factory inspectors—men and women of broad education and wide views, appointed by the Government to watch over and enforce the legal rights of the industrial workers, as laid down in Factory and Workshop Acts. As a body the inspectors undoubtedly do (and should) approach their work from the wage-earners' side. It is their duty to exact the minimum conditions as to health and comfort demanded by the law, and the opportunities afforded them by their right to enter and inspect all factories or workshops, bring them into close and constant contact with the conditions of work prevailing in every industry, whether great or small. It has always further been part of their tradition, while enforcing the letter of the law, to carry out and forward the spirit of the law by spreading the knowledge among employers of what has been done, and can therefore presumably be done again, by employers who, despite the hampering restrictions of inadequate space and small finances, sought and found the ways and means of securing the maximum conditions for their workers.

In addition to its other qualities, the Report has the great advantage of being able to inspire faith and credence in its readers. The findings are necessarily all in the interests of the workers, but they are based on accurately observed facts. They are, moreover, the considered conclusions of men and women long trained and experienced in the work they have in hand and accustomed to defend their views against the searching investigations of the law courts.

Mr. Graves, the Chief Inspector of Factories, gives a short, graphic account of the industrial paralysis which crept over the country during the year 1920. The reasons given by various employers he encountered were generally the high

costs of production due to reduced output and high wages, the unsettled state of labour and resultant strikes, the consequent impossibility of quoting firm prices or guaranteeing dates of delivery, the rates of exchange and foreign competition. These are the immediate causes as they appear to the individual employer, but the larger and remoter causes are indicated in Mr. Harston's report on the textile trades. "Some conception," he writes, "of the extent of the enormous losses which have had to be borne may be obtained when it is realised that American spot cotton which was 45/- per lb. in December, 1914, and stood at 32.4/- per lb. in February, 1920, was under 10d. per lb. on the 31st December, 1920. Cotton yarn which was sold in February, 1920, at 12s. 10d. per lb. only fetched 3s. on the 28th December. Heavy stocks of cloth which had been manufactured from raw materials at inflated prices have thus fallen in value out of all proportion to their manufactured cost. Orders were cancelled wholesale and to keep things going, goods had to be disposed of at a great loss. An employer said, 'at the beginning of the year I had £80,000 worth of goods on order, but at the end had not a single pennyworth.' Another affirmed he was losing money at the rate £500 a week, whilst a third stated that while in January he had £10,000 in cash, in December, by trying to keep his plant going, that sum was on his shelves in manufactured goods which would not realise half their cost. Curtailment of production thus became unavoidable and unemployment increased to a very distressing degree." In Yorkshire it is said that the contrast between the enterprise shown by firms in rebuilding and remodelling their works during the early part of the year and the state of trade at the end of the year is very vivid. Here we see the vast and practically uncontrollable effects of fluctuating values and unstable international relations on the great modern economic systems of production in advance of requirements. A modern State cannot satisfy its needs without production in advance, and until means are found of stabilising the value of credit and currency, particularly as between nations, (and, indeed, of stabilising the nations themselves), it is inevitable that unemployment crises will arise.

Regulations under the Factory Act are concerned mainly with dangerous trades and the employment of women and children. The prevention of accidents is therefore one of the first cares of the factory inspector. The report shows that there is still considerable objection on the part of employers to set up safety committees and that the workers themselves are not enthusiastic. In one factory where it was decided

to establish such a committee seventy nomination papers for the selection of workers' representatives were issued, but only one was returned completed. Nevertheless, substantial progress of the movement is reported. As the result of one safety committee's recommendation, all locomotives and rolling plant are stopped five minutes before the "buzzer," and five minutes afterwards in order to minimise danger to workers crowding in or out of the factory yard. To those familiar with the conditions in many large ironworks, where the approaches are often intersected by a network of railway lines, the advantage of this stoppage of traffic when the roadways are thronged will be at once appreciated. The practical success of another safety committee is instanced by the fact that since 1916, accidents have been steadily reduced from 3.67 per cent. of the total employed in 1916 to 0.78 per cent. in 1920. Another firm have found it worth while to appoint three inspectors who spend their whole time seeing that safety rules and precautions are carried out.

The importance of the hygienic conditions under which the work itself is carried on is stressed by one Senior Inspector whose experience has led to the conclusion that "there is still much to be done by both occupiers, workers and others to bring work places up to the standard laid down by legislation, and that really clean workrooms, well ventilated and lighted, reasonably heated, and above all with adequate means of removing dust or fumes, will only become the normal after many more years' work on the part of inspectors supported by public opinion." Though all are to some extent held to contribute to this unsatisfactory state of affairs, reproach must be levelled mainly at the occupiers for, the Report continues, "where occupiers and others expect a high standard of cleanliness the employees usually attain to the same . . . the general tendency is for workers to fall into line and become in harmony with their environment." It is admitted that the workers themselves do in some cases appear incapable of appreciating the provisions made for their health, convenience and cleanliness. A case is cited where, after good lavatory accommodation had been provided, the whole of the fittings were stolen in a single night, and there are numerous cases of fittings being pilfered, woodwork damaged, and pipes choked with tea-leaves and other rubbish. But that the real fault lies finally with those in authority is emphasised again by the experience of the inspectors who state that proper supervision practically always results in cleanliness and order.

In the chapter on Welfare it is reported that during 1920,

as a whole, the momentum towards better conditions of welfare has increased. It is encouraging to read that the steady, quiet reform being carried on by Supervisors and Managers of Welfare in individual factories, and by the quickening activities of workers individually and through Works Committees, make it certain that the improvements already recorded will steadily spread, largely on the initiative of workers themselves, throughout industry. The Inspectors testify in various ways to the increased good feeling engendered by welfare work and the many-sided interest shown in the whole question. The present difficulty lies largely with smaller firms, carrying on in old unsuitable premises where it is impracticable to secure much more than a minimum under the standard requirements of the Factory Act in ventilation and in other matters of health and safety.

Works Committees are shown to be growing in number and exercising an increasingly valuable influence. Short accounts are given of two typical committees. A Bradford dye works employing over 500 persons has instituted three Works Committees whose scope is as follows:—(1) Health and Safety (10 members) whose duties are to report on general conditions in the works, fencing, ventilation, dangerous practices, etc. Workers who persist in dangerous practices are educated to the dangers they incur. Members of this committee are the first aid men in each department. (2) Canteen (eight members). This committee buys all food, fixes the prices for meals, and generally runs the canteen; any complaints as to food, etc., are dealt with. (3) Sports (four members), who arrange fixtures, etc., for the football and two cricket teams. The grounds are provided by the firm. A factory employing 4,000 workers, of whom about one-fourth are women, has a well-organised system of Works Committees on the women's side. The Chairman and Secretaries of these committees form a Central Women's Works Committee of ten. This Central Committee is concerned with improvements in conditions and organisation, and has access to the General Manager, who consults it as to impending alterations in methods of work or pay and submits welfare plans for consideration and counter-proposals. Important matters, such as rates of wages, are fully discussed by the General Manager with both the Men's and Women's Committees. The Women's Committee decided the policy recently adopted of short time for all in lieu of any dismissals. This committee arranges lectures on the geography, history and commerce of the factory products and other subjects of general interest.

(To be concluded.)

WAGES. III.

It has been shown that the sliding-scale system has operated with considerable success for many years in the iron and steel industries. It secures for the workers a share in the prosperity of the trades, and automatically achieves advances over a long period corresponding to the cost of living advances secured in other trades after lengthy negotiations, and frequently strikes. Moreover, the standard of living of the workers may be raised by advances in the standard rates from which scale variations are measured. Nevertheless the system, in its old form, has been abandoned by the coal industry. Its failure, after a long trial, was probably due, in large measure, to the speculative character of the industry. Unlike steel, the price of coal fluctuates between wide limits within comparatively short periods, with the result that sliding scale payments showed considerable variations. But it was also partly due to lack of faith in the employers. A sliding scale system can only be operated successfully on a basis of mutual confidence, and where the standard rates in individual establishments can be easily adjusted to meet the needs of the case. It is noteworthy, however, that in the coal industry the Conciliation Boards which were erected on the ruins of the old system of wage payment did, in fact, accept prices as the chief—almost the sole—index of the wage-paying capacity of the industry, and that the wages rates actually negotiated by specific agreements approximated closely to those which would have been paid under a more rigid sliding scale. Thus the principle that wages should follow the prices of the goods produced by the workers was still operative.

Under the recent agreement in the coal mining industry profits have been substituted for prices as the chief factor determining the amount to be added to the standard rates. The scheme provides an interesting experiment in the method of determining wages. Collective profits are to be divided between capital and labour, and the share of labour will apparently be given to the workers in a collective capacity. The scheme is still somewhat obscure, but presumably the group, not the individual, is the unit on each side. Profit sharing is not a new feature in industry. Schemes have been

operated, with varying success, for practically half a century. Nor is a collective payment to workers an innovation for which we have to thank the coal industry. Collective piece-rates have been paid, for example, in brass-rolling mills in the past. More recently (that is, during the war) collective bonuses on output were established in a large number of engineering and other establishments. They were generally paid to toolmakers and toolsetters necessarily employed on day work, and their amounts were determined by the total output of the separate machine shops, or the factory as a whole, or again by the earnings of the semi-skilled workers employed (on piece-work) on the machines supervised, set and repaired by the skilled time-workers. What is new in the miners' scheme is the relating of collective profits to collective payments to the workers.

There is much to be said for and against such a scheme. In the first place it is clear that once the standard rates of wages and profits, and the relative shares of the surplus profits to be paid to the two sides are fixed, the subsequent interests of capital and labour are practically identical. Nor is there any danger to the community so long as the coal mines are in effective competition. But if competition gave way to monopoly it is clear that the state might find it necessary to step in and protect the interests of consumers. For there is no conclusive evidence, in history, that monopolistic groups of workpeople are any more careful than capitalistic monopolies of the interests of consumers. A second point in favour of the scheme is that it provides an opportunity to the men's representatives of acquiring far greater knowledge than they possessed in the past of the true financial position of the industry. Vague charges of exploitation will no longer be made. Either there will be definite charges, supported by specific evidence, or there will be silence. Thus the agreement is the most severe blow extremists have yet suffered, while at the same time its operation will provide useful experience which may serve as a guide to industries other than coal mining.

For the rest, the scheme may be considered in relation to collective bonuses in the engineering industry. In establishments engaged upon the production of standardised articles, such as shells, fuzes, aero engines, &c., the bonus was measured by specific output, and the amount was determined by the excess above a given standard. In other cases the

output was too varied to permit such a system, and the output was roughly measured by the total invoice values of the goods made in a given period. The experience of such schemes has been too short to justify any dogmatic conclusion regarding their merits. Some worked better than others during the war because the details had been more carefully thought out, or the workpeople affected were better acquainted with such details. All wages schemes must be simple and easily understood to be effective. But the majority of people stress one of two things. By some they are favoured because they stimulate the growth of the team spirit, and develop a sense of moral and social responsibility which payment by individual result tends to destroy. The individual piece-worker, it is held, is like a golfer, playing entirely for his own hand, while the worker under a collective bonus scheme is like a football player who strives hard for his side and forgets self. Others emphasise the fact that since the share of each is determined by collective efficiency, towards which the individual makes but a small contribution, the scheme does not provide any real stimulus to individual effort, which is the *raison d'être* of the bonus. Whether they under-estimate the psychological effect of an appeal to the group, to moral responsibility, to the team spirit, time alone will show. But the vast majority of such bonuses were in operation under highly artificial conditions, during the war period, and were abolished when the war came to an end, and munition orders ceased. It is to the coal industry, therefore, that we have to turn for the first important experiment under normal conditions. The experiment will be carefully watched.

The vast majority of standardised manufacturing industries still rely upon the direct and immediate incentive of individual piece-work, and, where such a method is inapplicable, upon the effect of close supervision of people employed on day work. Except in engineering and similar trades, piece-work has been accepted by the workers as the inevitable, if not the ideal, method of payment. The fact that the work is standardised, and piece-rates are thus de-personalised, reduces the difficulties of the system to a minimum. The boot and shoe industry appears to be the only important section of industry in which there is any marked tendency to react against it. In the textile trades no serious difficulty has arisen in recent years. Even in the iron and steel trades, where the sliding

scale is still operative, piece-work, in the form of tonnage payment, is accepted. Not only is it accepted, it is being pressed for in the few cases in which it is not fully operative. The feeling against piece-work is strong only in a few trades such as skilled engineering, moulding and joinery, all of which possess one feature in common which calls for careful consideration. But it should be observed, first, that having accepted the principle of payment by individual result the workers might (and do) still object to the particular form which is proposed. There has been a lively controversy in the Clyde engineering trade regarding the precise method of payment, and workers who would be prepared to consider the desirability of piece-work have strenuously objected to the method of premium bonus. In the second place the objection urged by the men's leaders against piece-work may not be the objection most strongly felt by the men themselves. Thus, for example, many of the rank and file object to piece-work for the same reason as they object to overtime. They regard both as important contributory causes of unemployment. During a boom in trade they work overtime, and respond to the stimulus of payment by results. Every boom is followed by a slump, and during the period of depression they feel that they would have been better off, as a whole, if they had spread the work over a longer period. Whether or not their belief is founded upon a wrong conception of the working of the industrial system, their attitude is at least unselfish. But the real objection to payment by results goes even deeper, and will be considered in the concluding article.

(To be concluded).

THE BUSINESS MAN'S VIEW. X.

(These articles consist of a series of extracts from the reports of Company Meetings, grouped to give the reader an opportunity of studying the effects of the many conflicting currents that go to make or mar commercial enterprise. Though these reports, giving as they do only the managers' point of view, cannot be considered to cover the whole field, they may, nevertheless, provide a valuable commentary on a good many aspects of the question as to the ways and means by which the nation does, in fact, secure its livelihood.)

On the Capitalist Principle.

It has unhappily become the fashion to-day, whether in politics or in economics, to blame the man in power and the policy he represents for evils which were never of his making and which, at the moment, he is powerless to avert and can, at best, do no more than guide into channels where their forces will be expended with the least destructive results. In their hearts even those who shout the loudest really know that the almost overwhelming troubles with which the whole world is faced are, in great part, the outcome of uncontrollable forces, released by long years of war on a vast scale. But the world, unsatisfied, disappointed, and bewildered, seeking vainly to avoid the inevitable effort demanded for its rehabilitation, persistently closes its eyes to uncomfortable facts and tries to believe that all its woes are due to misplaced faith in wrong systems and bad leaders. So, while in the political world governments are execrated for their inability to stem the inevitable tide, in the realm of economics capitalism—"big business"—is charged with having failed in its business of production and distribution, and, by the more extreme element, with holding up production in order that it may first gloat over unemployment and then enjoy itself to the utmost on the proceeds of sweated labour.

Enough, in a general way, is already known about the communist experiments of Lenin and Trotsky to convince the majority that though capitalism may not as yet have taken us to the heights, Leninism has only hurled its adherents back into the abyss. The report of the Russo-Asiatic Consolidated, Limited, confirms the general view. This company owns mining property in Russia valued, at a moderate estimate, at £56,000,000. These estates, like all others in Russian territory, were confiscated in 1918 by the Soviet Government, who doubtless believed that they were thereby acquiring

wealth to that value for the use and enjoyment of the Russian working class. Mr. Urquhart, the Chairman of the Company, in announcing the Company's resumption of some of their rights under the recently concluded Trade Agreement with the Soviet Government, traces the course of economic policy in Russia through communism and back to capitalism. Referring to the negotiations between himself and M. Krassin, Mr. Urquhart says—"My discussions with Mr. Krassin have been of a practical, helpful and very friendly nature. I mention this because in ordinary circumstances it would have been difficult for the representatives of two such antagonistic systems as those of Capitalism and Communism as applied to economics to find a common basis of understanding. Capitalism stands for right of property and economic freedom, while Communism is the absolute negation of both these principles. I quickly found, however, common ground for agreement with Mr. Krassin in our mutual intense desire for the resuscitation of the economic life, peace and prosperity of Russia."

"There are," Mr. Urquhart continues elsewhere, "those who say that Lenin's efforts in influencing the modification of Communism in the direction of recognition of private capital and of granting concessions to foreign capitalists is in order to make capitalism contribute to the ultimate world-triumph of Communism." Whether this prove so or not, the fact will remain that Communism as an economic system has failed and that Lenin has found it necessary to ensure production by setting the machinery of capitalism going again. Mr. Urquhart describes why the attempt to destroy capitalism and individualism in Russia has ended in disaster. We quote from his speech: "The Russian Communistic Government has demonstrated conclusively for the edification of the Russian people and of the whole civilised world that Karl Marx's economic doctrines are based on gross misrepresentations of the laws of Nature, and that his theories are subversive of all constructive work and of all industrial production. . . . The peasants, who represent over 86 per cent. of the population of Russia, are by nature the most extreme individualists; they refuse to have their lands and products socialised, and the Communists have given up the hopeless attempt"

Further, "while Russia possessed undeveloped natural resources of great magnitude, Russia did not possess the capital and experience for their development and operation. Russia, therefore, owed her development almost entirely to foreign capital. Her banking institutions were financed from abroad.

Her State and private railways were built largely with capital supplied by France. Her oilfields, coal and iron mines, and metallurgical works, her non-ferrous mining industry, etc., were opened up and operated by the initiative and enterprise of foreign capitalists. Her foreign trade was possible owing to credits opened by foreign capital. Even the timber exported had to be financed before it was felled by credits opened by foreign firms. The policy of nationalisation of industry and trade has killed foreign credits, and foreign capital, without which the resuscitation of Russian industry will be difficult, if not practically impossible, will naturally not be forthcoming."

Some of our own communists—particularly those who pin their faith to the *Daily Herald* doctrines—could, if they would, learn a valuable lesson both in economics and in ethics from this paragraph. Here once again it is made obvious that capital and enterprise perform a vital function in the process of production. Russia is enriched by the thrift and energy of foreign *entrepreneurs*. It is just that they should take a tithe of what is produced by their own instrumentality. Moreover, if justice is withheld, the service ceases and vast natural resources, lacking their aid, are found to be potential and not actual wealth.

Gradually the Soviet authorities have realised their mistakes and awakened to the impotence of their theories. ". . . As a consequence the Soviet Government has greatly modified the rigidity of its economic system. The decree of March 30th last re-established the freedom of trade. Small industries have already been de-nationalised and returned to their owners, who are allowed to trade freely with their products. The policy of forcible requisition of surplus corn was abandoned this spring, and in place of requisition a corn tax was established. Permission has been given to peasant and town workers to barter and to trade. Concessions have been offered to foreign capitalists on terms which admit the principle of private gain. It is true that these tentative proposals have been barren of results because the conditions for the proper operation of capital did not till now exist. But the change of attitude of the Soviet Government, the gradual elimination of economic restraints and the rapid modifications which are taking place in their heretofore rigid economic system are, in fact, the beginnings of the re-establishment of favourable conditions for capital in Russia."

(To be concluded).

FOOD FOR THOUGHT.

When the National Industrial Conference met in February, 1919, it looked as if the first really constructive step had been taken towards the achievement of peace in industry by the co-operation of Capital, Labour and the rest of the community, as represented by the State. This Conference stood for the democratisation of British Industry, and everything pointed to the likelihood of a sane and practicable programme of reconstruction being evolved on mutually agreed lines. Now after two and a half years, during which employers and workers have succeeded in arriving at joint decisions on some of the most important questions which concern their industry, the whole machinery has come to a full stop owing to the failure of the committee to induce the Government to give legislative effect to their recommendations.



In its report the Committee deals, under four headings, with joint proposals which have proved abortive. The recommendations were:—

- (1) A statutory eight-hour day.
- (2) A statutory minimum wage.
- (3) Measures for preventing unemployment and extending provision against unemployment.
- (4) The establishment of a permanent National Industrial Council.

In no case have these recommendations reached the Statute Book, and the final view of the Committee was that "it was evident that the present position was such as to render futile any further efforts on the part of the Joint Committee to secure legislative effect to their joint recommendations which were fully accepted in principle by the Government in 1919." The members, therefore, unanimously decided to resign "as no good purpose could be served by their remaining in being."



The position thus brought about is as unfortunate as it is incomprehensible. There is no suspicion of *mala fides* on the part of either of the three concerned groups, and the breakdown would appear to be due, therefore, to the inherent difficulties of the problem. But it was with the precise object of overcoming such difficulties that the Conference was called into existence, and we cannot bring ourselves to think that "any good purpose" can be served by the suicide of the Com-

mittee. We are convinced that the Government is honestly and wholeheartedly desirous of securing industrial peace along the lines laid down for the guidance of the Conference, and we still believe, as we said at the time of its inception, that "the provision of machinery facilitating continuous joint consultation and action between employers and employed stands foremost and fundamental amongst our present industrial needs."



We live in abnormal days and the energies and powers of the Government are distracted in a thousand directions. This condition of affairs is inevitable and must continue until the violent oscillations caused by the greatest clash of events that has ever shaken the world have had time to subside. Equilibrium will eventually be attained, but no amount of impatience will help to shorten the transition stage. Premature legislation is bad legislation, and the value of an advisory body is not necessarily determined by the speed with which its recommendations are adopted. We earnestly hope that the eminently sound and statesmanlike conceptions embodied in the terms of reference of the National Industrial Conference will not be jettisoned. If the late members of the Provisional Committee find themselves unable to carry on, there are other persons as well fitted for the work, and a change in the personal equation might well prove a change for the better.



We all remember the feeling of dismay with which the nation first came to realise that the war was going to be a matter of years instead of months. At the beginning of the struggle there was talk of peace by Christmas, and we were slow to adjust the perspective of anticipation beyond the third winter. The same sort of optimism is now current with regard to the length of time that must elapse before the world can completely recuperate from the wastage and disorganisation of war. People are inclined to use a magnifying glass when a telescope is required, and prone to concentrate on details when they ought to be watching tendencies. Half a year ago Mr. Bonar Law foretold an early revival of trade; and last week Sir Robert Horne was telling us that the period of depression is approaching its end, but there can be no healthy or permanent improvement until the world, as a whole, recovers—and that is not yet.

Mr. Frank Vanderlip, the American banker, who has come to Europe to study this question, takes a less rosy view of the position, especially so far as Britain is concerned. He reminds us that we cannot feed ourselves and have to rely on imported food which must be paid for by manufactured exports. "England's danger to-day," he says, "is that owing to the high cost of her manufactured goods she cannot export them to the same extent, and thus provide the wherewithal to buy food. England will probably have to lower her standard of living in the near future."

There is nothing very original in what Mr. Vanderlip tells us. It is notorious that there is a shortage of food in Europe, and certain that the deficiency can only be made good by increased production. Even if America had a large surplus to dispose of only half of the problem would be solved, and it would still be necessary for us to work hard to manufacture the articles which America will require in payment for what she sends us. But although the logical sequence of cause and effect is so patent there remains, nevertheless, a constant tendency in this country to under-estimate the seriousness of the situation, and even to assert that increased production inflicts an injury upon the working-classes. It cannot, therefore, be too frequently insisted upon that every strike, every lockout and every other disturbance which affects industry does in point of fact tend towards a reduction in the standard of living, and at the same time add its quota to the cost.



In their final report, the Joint Committee of representatives of the Labour Party, the Parliamentary Committee, the Trade Union Congress and the Co-operative Union appointed to enquire into the cost of living, state *inter alia* that it is beyond dispute that since 1904 changes have taken place in working-class habits which have been reflected in working-class expenditure. There has been an improvement in the dress of the wage-earners and their families, and the homes of the workers are, in general, better furnished and equipped than was formerly the case. This opinion is declared to be fortified by data which were specially collected, in the form of family budgets, by the Joint Committee. Thus in the course of its investigation into the accuracy, or otherwise, of the Ministry of Labour's index numbers, a committee representative of all responsible sections of the Labour world definitely concludes that the standard of living amongst the working classes in this country has materially improved in recent years. We

wish a rider had been added to the effect that this improvement can only be maintained if the economic laws which produced the result are not disregarded.

Instead, however, of tackling the question under investigation by the light of common sense and in accordance with the dictates of experience, the Committee reverts to its doctrinaire advocacy of nationalisation. The report favours State trading and implies that if commodities were purchased by the Government, or by local authorities, the consumer would be able to satisfy his needs at a lower cost. We will not weary our readers by examining this untenable theory in detail, for it hardly calls for serious refutation. We would only ask those representatives of the Co-operative Union who signed the Report whether they would be willing to recommend to their shareholders that they should transfer their business to local authorities, and if so, whether they are honestly of the opinion that the Mayor and Corporation in the several boroughs where Co-operative Stores are established could conduct the business of distribution in so economical a fashion that the price of tea, for example, could be materially reduced to the consumer. It is admittedly cheaper to buy in bulk, but experience proves that when the buying is conducted by a Government department the consumer gets no benefit; rather the reverse. When, for example, the Expeditionary Force canteens, previously run by private enterprise, were taken over by the Government the first result was a substantial rise in prices, and the second a marked decrease in the quality of the goods supplied. *Ex uno discit omnes.*

It is a relief to turn from the ineffectual prescriptions of these political physicians to the more robust régime recommended by those eight hundred men actually engaged in business—merchants, manufacturers and shipowners of the United Kingdom who, in an appeal recently published, insist on the importance “that the inhabitants of this country should be impressed with the absolute need for greater industry and greater thrift, so that the wealth annihilated by the war may be restored. Such restoration can only be accomplished by earning more and spending less. . . . By these means alone shall we be able to bear the burdens from which we suffer, to regain the foreign trade essential to our prosperity, and to contribute to the well-being, not only of our country, but of all other countries on which we are largely dependent.”

DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry.)

July The Ministry of Labour Index number has remained stationary since June 1st and is 119 per cent. above that of July 1914.

1st. About 1,060,000 workpeople suffered a total reduction of nearly £420,000 in their weekly wages. The principal groups affected were operatives in the cotton industry, in ship-building and ship-repairing, and in the hosiery trade.

91 trade disputes directly involved 1,533,000 workpeople in idleness and caused a loss of 30,000,000 working days.

Unemployment among Trade Unionists rose to 23.1 per cent., and to 17.8 per cent. among workers in Insured Trades. A total of 2,178,000 workpeople was registered at the Employment Exchanges as unemployed and over 800,000 were working short time.

The House of Commons consented to the £10,000,000 subsidy and the miners, by an overwhelming majority, decided to return to work on the new terms.

The National Transport Workers' Federation signed an agreement regulating wages of road transport workers. A wage agreement for the iron and steel industry was signed by the National Union of General Workers and the National Amalgamated Union of Labour.

4th. The National Union of Agricultural Workers and the Agricultural section of the Workers' Union held a joint conference to protest against the abolition of the Agricultural Wages Board and the lowering of the wage fixed by that Board.

The National Union of Railwaymen opened their annual conference. The President, Mr. W. J. Abraham, laid the blame for the failure to secure concentrated action in the Triple Alliance on April 15th on the Miners' Federation. In repudiating Mr. Hedges' statement to the House of Commons on the 14th, and in their subsequent actions, they acted entirely without reference to the Triple Alliance, notwithstanding the previous decision to conduct the movement as a joint one.

5th. The Agricultural Wages Board met to consider the proposal made by the National Farmers' Union that the minimum wage should be reduced from 46s. to 40s. and women paid uniformly at the rate of 7d. an hour. The meeting was adjourned until July 21st.

6th. The N.U.R. passed a resolution affirming belief in the duty of the State to provide work or maintenance, but maintaining that this cannot be accomplished under the existing social system.

7th. N.U.R. Conference: An attempt to revise the rules governing the executive body, whereby the Parliamentary General Secretary (Mr. J. H. Thomas) would share control with the Industrial Secretary (Mr. C. T. Cramp) was defeated by 57 votes to 17, and Mr. J. H. Thomas thus retains his position as supreme administrative head of the Union. Mr. Thomas formally announced that the outlook in the railway world gave no reason for the assumption that there might be a strike in August. There was nothing, he said, in the attitude of the employers or the demands of the men to occasion a stoppage. The Conference endorsed the attitude of the Executive towards the Bill.

11th. The Metropolitan Water Board decided to accept arbitration by the Industrial Court for the settlement of its wages dispute.

13th. A new ballot of the 33 engineering unions involved in the engineering trade wages dispute showed a majority in favour of accepting the terms offered. The unions represent about one million workers but less than 300,000 votes were cast. The terms accepted include two reductions of 3s. each on time workers' rates and 7½ per cent. on piece rates, to take effect on July 15 and August 15, respectively. The abolition of the Ministry of Munitions' 12½ per cent. will be considered in September.

At the annual conference of the National Dock, Riverside and General Workers' Union, a resolution introduced by Mr. Keenan (Liverpool) to dismiss the Secretary, Mr. James Sexton, M.P., for his alleged betrayal of the working-class, was defeated by 102 votes to 44. Mr. Sexton successfully defeated the contention that an official could or ought to live in working-class surroundings on a manual worker's income.

14th. The National Union of Railwaymen and the London District Committee of the Electrical Trades Union have concluded an agreement providing for the setting up of a standing joint committee of the two bodies.

15th. The General Federation of Trade Unions unanimously adopted at their annual conference a proposal to invite all trade unions of English speaking countries to take part in an international congress. The object is to wrest the purely labour movement from the continental theorists and unite the trade union policy of those English speaking countries whose

institutions and democratic ideas are similar in character. A demand entered by the Dockers calling for Mr. Appleton's resignation was not proceeded with.

Printing Trade: No agreement having been reached with regard to the proposed reductions of 15s. a week in the wages of men, and 5s. 6d. for women, the question has now been referred to the Joint Industrial Council.

16th. Farm Wages Boards: The Minister of Agriculture will bring before the Standing Committee a proposal that the present district wages committees shall form joint conciliation committees to determine district wages, which, when confirmed by the Minister or Board, shall become binding on all employers.

17th. District Managers, agents and office clerks of the Co-operative Insurance Society are on strike. The alleged cause is the dismissal of an assistant district manager, victimised, according to the strikers, because of his trade union activities. The real cause is said to be discontent and a feeling of insecurity created during the last twelve months by wholesale discharges of men with long service and good records.

18th. About one hundred engineers raided the offices of the Amalgamated Engineering Union in London. The Executive, which was in session, was turned out and a provisional committee, composed mainly of unemployed A.E.U. men, took its place. The men object that the Executive had no right to recommend the 6s. wage reduction, nor to cut off supplementary unemployment pay. Mr. J. T. Brownlie later returned with a body of police and the raiders left, after a parley in which they learned that the accredited leaders were ready if necessary to summon the military for the protection of trade union property and rights.

The Provisional Joint Committee of the Industrial Council set up in April 1919 resigned because, it is stated, the Government would not give legislative effect to their recommendations, although these were accepted in principle in 1919.

19th. The National Council for Dock Labour ratified the proposals already accepted by both masters and men, that there shall be an immediate reduction of 2s. a day in wages, with a further reduction of 1s. on January 1st, 1922.

20th. The National Board for the Coal Industry was formed. Mr. Evan Williams was appointed president, Mr. Herbert Smith vice-president, Mr. Frank Hodges and Mr. A. W. Lee are joint secretaries and the Lord Chief Justice is empowered to appoint an independent chairman.

21st. The Agricultural Wages Board voted in favour of a reduction of the minimum wage from 40s. to 42s. The decision will be brought up for confirmation on August 23rd. Mr. W. R. Smith, M.P., President of the National Union of Agricultural Workers, contends that this will bring the wages well below the poverty line, which, in 1914 values, he puts at 20s. 6d.

23rd. At the Annual Conference of the South Wales Miners' National Federation affiliation to the Third International was carried by 120 votes to 63. This decision carries with it adherence to the principle of the Dictatorship of the Proletariat.

25th. At the opening of the annual congress of the French General Confederation of Labour (C.G.T.) at Lille members of the Left, armed with batons, pistols and other weapons, created a disturbance which ended in a free fight and the adjournment of the session.

26th. The C.G.T. reassembled, provisional agreement between the Right and the Left having been obtained. The day was taken up in discussions of future policy, the Left accusing the C.G.T. of acting as though they believed that the capitalist employer could exist side by side with the recognition of the rights of Labour. A real class-war C.G.T. with a revolutionary policy was demanded.

28th. The strike of the outside staff of the Co-operative Insurance Society was settled, Mr. Stokes, the dismissed manager, being reinstated.

Further unsuccessful attempts were made to settle the shipyard joiners' dispute. The strike is now in its thirty fourth week.

29th. Mr. George Lansbury accompanied by thirty members of the Poplar Borough Council marched in procession to the Law Courts to attend a summons for contempt. Mr. Lansbury admitted that he and his colleagues were consciously breaking the law because they considered it to be a bad law. Judgment was given that failing compliance with the law within fourteen days the thirty councillors should be imprisoned.

31st. Annual conference of the Social Democratic Party opened. A resolution was passed declaring that "direct action cannot bring about the change from capitalist society to the Social Democratic Commonwealth."

"I.P." ECONOMICS STUDY SCHEME.

WE publish this month the names of those candidates in our Economics Study Scheme who have been successful in gaining the prizes of £5 each, which we offered to the fifteen students in each group who fulfilled the conditions laid down and who secured the highest marks on the papers set during the last six months. The successful candidates whose names are printed below are now qualified to compete for the larger prizes of £45, £25 and £15, respectively. The winners will be judged on the merits of their answers to the questions set in the paper printed on page 192 of this issue, taken in conjunction with their previous work. Successful candidates who have not already received a cheque and a copy of Mr. Maccunn's *Ethics of Citizenship* should communicate at once with the Secretary.

The results of the study scheme may be regarded as distinctly encouraging. The quality of the papers varied considerably. In one or two districts prizes have been gained with less difficulty than in others, and in the districts where competition was on the highest plane some papers which did not secure prizes were distinctly better than the lowest prize-winning papers in the weakest districts.

We have already referred to the fact that for some unknown reason the scheme failed to commend itself to school teachers in Scotland and, as the examiners report that amongst the otherwise eligible Scottish candidates, only thirteen completed the full course, it has been decided to allot the two surplus prizes to the areas in which the competition was most severe. In the following list it will be found, therefore, that sixteen prizes have been awarded both to the Western and to the Eastern groups.

It is clear that the scheme has created an entirely new circle of students of economic problems, for there was practically no evidence of previous acquaintance with serious economic literature. Moreover, the value of continuous study of two selected volumes of restricted scope was exhibited in the improvement generally shown in the quality of the later papers. The majority of the candidates appeared to take part in the competition not so much in the expectation or hope of securing prizes, as to share in the intellectual

discipline which participation offered, and we have received a number of letters expressing a sense of pleasure and profit derived from reading the prescribed volumes and attempting to reply to the questions. We offer our thanks to all the candidates for the share they have contributed towards making the experiment successful, and our congratulations to those whose names appear in the list of prize winners.

Winners of the Preliminary £5 Prizes.

(Given in alphabetical order, not in order of merit).

LONDON. William E. Castle, Mill Hill; Margery E. Freeman, Streatham; Walter H. Gilby, Westminster; John Grundy, Hendon; Percy U. Harris, East Ham; William H. Jones, West Norwood; Percival Lander, Clapham; William C. Laud, Crofton Park; Robert J. North, Manor Park, E.; Alice E. Pike, Lavender Hill; John C. Rowlands, Old Kent Road; Alfred J. Taylor, South Hackney; William G. Walters, Manor Park, E.; Robert W. Wilson, Manor Park, E.; the following two candidates tied for the fifteenth place in this group and the prize has therefore been divided between them: Thomas Mills, Willesden; Elsie M. Sirc, Brockley.

NORTH. Eva B. Archer, Skelton-in-Cleveland; Charles Ball, Jarrow/Tyne; Arthur Borrell, Alnwick; Thomas Connelly, Stockton/Tees; Henry Drake, Newcastle; Frank Drake, Scarborough; George P. Dunn, Corbridge/Tyne; Robert Gray, Leeds; Eleanor M. Mather, Leeds; James B. McNeaney, Jarrow/Tyne; Lucy E. Naylor, Leeds; Irene Rouchetti, Stockton/Tees; Walter T. Taylor, Leeds; James E. Toll, Falstone; George F. Thompson, Sunderland.

SOUTH. Hubert E. Clarke, Purley; Stanley C. Collings, Southampton; John F. W. Cooper, Southwick, Sussex; Arthur L. Crust, Wargrave; Christopher T. English, Ashford; Alfred C. Field, High Wycombe; Grace M. Hardy, Watford; Elizabeth Harvey, Oxford; Lucy E. Hinton, Lambourn, Berks; H. H. Overy, St. Leonards-on-Sea; Albert A. Sainsbury, Harrow; T. H. Saunders, Bromley; Frederick Smedley, Southampton; Michael Sweeney, Watford; Richard Williams, Reading.

EAST. Arthur J. Andrews, Colchester; Frederick L. Brown, Colchester; John H. Butler, Leicester; Stanley H. Buck, Ilford; Agnes Canham, Hull; Harry Divers, Stalham, Norfolk;

Winnie Freeman, Gt. Chesterford; Annie E. Hobday, Colchester; Lawrence H. B. Hobday, Colchester; Matthew Holmes, Grimsby; Elizabeth A. Moore, Long Melford; William T. Southwell, Sudbury; Charles H. Taylor, Letchworth; George D. Watkins, Hull; Marcella Whitaker, Charlton; William J. Young, Ilford.

WEST. James Andrew, Oldham; Mabelle Bond, Liverpool; A. George Clarke, West Bromwich; E. W. Cox, Newton Poppleford, Devon; Percy Davies, Warwick; George H. Gawden, S. Stephens by Saltash; David Glickman, Manchester; Joseph W. Goggin, Liverpool; Ellen E. Harris, Hereford; Joseph Kelly, Southport; Thomas S. Peacock, Charfield, Glos.; Fred. Pearson, Oldham; Arthur H. Russell, Bristol; John Seddon, Bolton; Alice Taylor, Wigan; Charles W. Woodward, St. Helen's.

WALES. Ethel M. Charles, Newport; William J. Davies, Merthyr Tydfil; Kathleen Fair, Cardiff; Archibald G. Fergusson, Cardiff; W. Howells, Swansea; Henderika Jonker, Cardiff; Ivor Prosser, Nantymoel, Glam.; David E. Rees, Wrexham; Alfred Rex, Wenvoe, Glam.; Jenkin S. Richards, Cardiff; David Samuel, Llanelly; John T. Spinks, Marshfield, Nr. Cardiff; Thomas G. Thomas, Treherbert; Thomas S. Thomas, Barry; Samuel Williams, Treherbert. *Bracketed and prize divided*: Philip J. Nicholas, Aberdeen, and Ethel M. Charles, Newport.

SCOTLAND. Emily C. Caw, Edinburgh; Robert P. Douglas, Glasgow; John M. Henderson, Leven; Elizabeth McMillan, Glasgow; William P. Masson, Whitehouse; Robert Milne, Patna by Ayr; James C. Morgan, Tarland, (Aberdeenshire); Allan Murray, Fauldhouse, Linlithgow; Archibald Neil, Glasgow; James C. Ross, Alexandria, Dumbarton; Bruce Robertson, Glasgow; Thomas Stevenson, Beith, Ayrshire; John M. Taylor, Stirling.

"I.P." STUDY SCHEME.

Paper No. IV.

Answers to these questions must only be sent in by winners of the preliminary £5 prizes.

Each question must be answered on a separate sheet of paper. The candidate's name and address must be written on the top right-hand side of the paper. All the sheets should be numbered consecutively and fastened together.

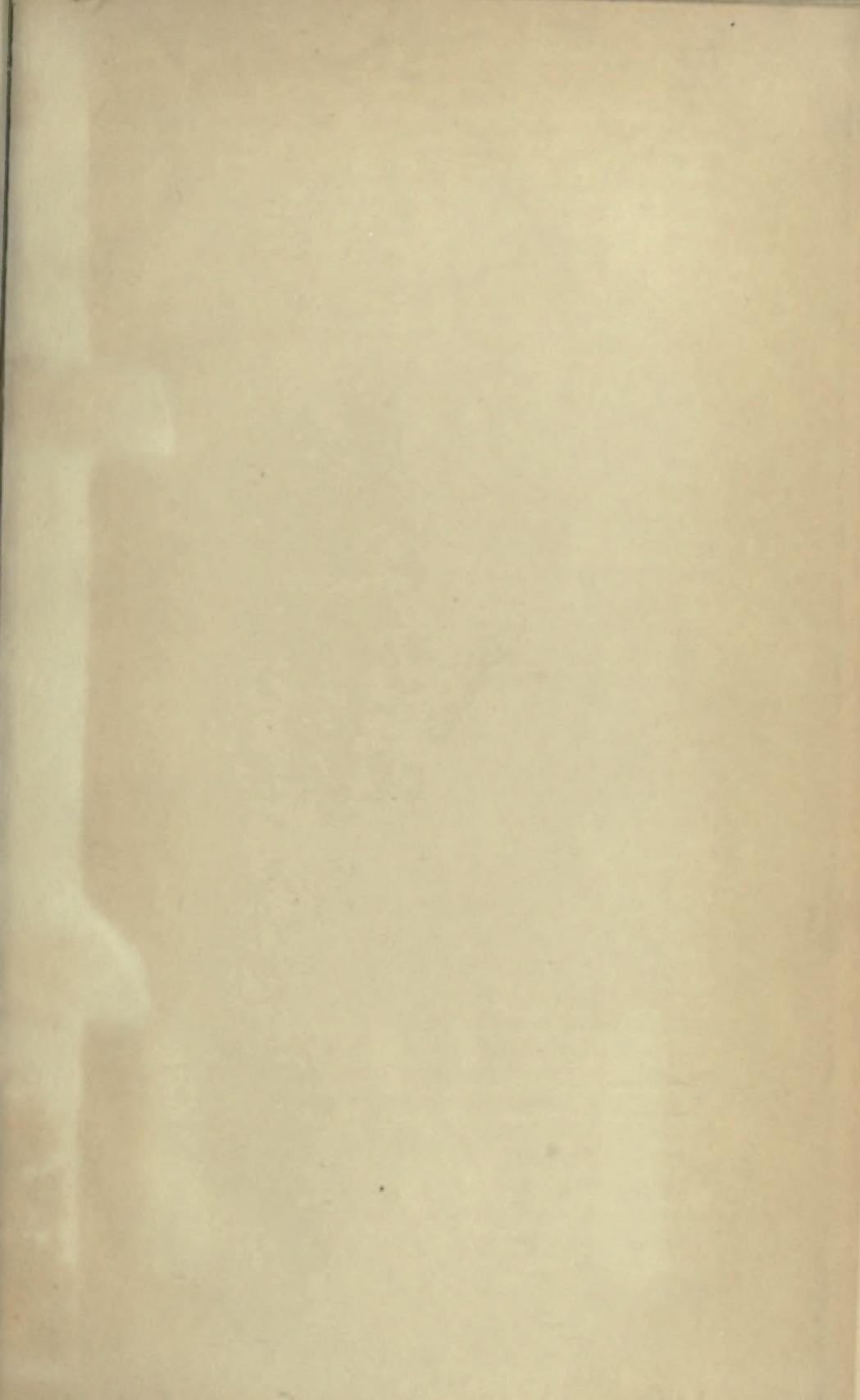
Each single answer may consist of not more than 1,000 words.

All papers must be received by the Secretary, at 20 Magdalen Street, Oxford, not later than September 20th. No extension of time can be granted.

1. What are the chief points of resemblance and of difference between commodities and services (a) as to the way their value is determined (b) as to the conditions which regulate their supply.

2. Examine the case for the rule of the majority in Politics. What rights does a minority possess in a democracy?

3. "There is a deeper consistency than loyalty to party." "My party, right or wrong." Discuss the above statements in relation to each other.



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